Hamburger Home, Inc.

(dba Aviva Center and Aviva Family and Children's Services)

Financial Statements

June 30, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) ("Aviva"), which comprise the statement of financial position as of June 30, 2023, and the related 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 Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) as of June 30, 2023, 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. 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 Hamburger Home, Inc. 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 opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, Aviva has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* as of July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hamburger Home, Inc.'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Hamburger Home, Inc.'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 Hamburger Home, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services)'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
Los Angeles, California

December 19, 2023

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,537,255	$ 1,391,143
Contract receivables	1,970,407	1,680,745
Contributions and grants receivable	68,864	338,492
Deposits and prepaid expenses	408,178	491,232
Investments	6,153,961	5,524,344
Right-of-use lease assets - operating	1,317,522	-
Right-of-use lease assets - financing	37,647	68,011
Property and equipment, net	2,903,619	3,206,420
Other assets	22,093	13,443
Total assets	$ 14,419,546	$ 12,713,830
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 131,767	$ 49,052
Accrued payroll and related liabilities	905,470	877,059
Operating lease liabilities	1,333,851	-
Financing lease liabilities	43,354	71,413
Contract advances and reserves	1,202,806	1,144,126
Mortgage payable	3,495,884	3,589,338
Forgivable construction loan	1,514,362	1,750,354
Deferred compensation	22,093	13,443
Total liabilities	8,649,587	7,494,785
Net assets		
Without donor restrictions	5,565,763	4,828,529
With donor restrictions	204,196	390,516
Total net assets	5,769,959	5,219,045
Total liabilities and net assets	$ 14,419,546	$ 12,713,830

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

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains, and other support				
Government contracts and grants	$ 14,324,136	$ -	$ 14,324,136	$ 14,513,580
Other contract revenue	1,058,310	-	1,058,310	1,015,880
Contributions and grants	386,216	345,684	731,900	1,267,896
Proceeds from special events, net	122,947	-	122,947	61,002
Donated goods and services	188,284	-	188,284	132,679
Investment return (loss), net	708,367	-	708,367	(933,802)
Other income	37,036	-	37,036	259,938
Net assets released from restriction	532,004	(532,004)	-	-
Total revenues, gains, and other support	17,357,300	(186,320)	17,170,980	16,317,173
Functional expenses				
Program services	13,734,315	-	13,734,315	13,534,801
Support services				
Management and general	2,230,759	-	2,230,759	2,662,520
Fundraising	654,992	-	654,992	555,179
Total support services	2,885,751	-	2,885,751	3,217,699
Total functional expenses	16,620,066	-	16,620,066	16,752,500
Change in net assets	737,234	(186,320)	550,914	(435,327)
Net assets, beginning of year	4,828,529	390,516	5,219,045	5,654,372
Net assets, end of year	$ 5,565,763	$ 204,196	$ 5,769,959	$ 5,219,045

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Personnel expenses					
Salaries and wages	$ 7,237,170	$ 982,988	$ 216,614	$ 8,436,772	$ 8,171,621
Payroll taxes	577,170	71,220	23,150	671,540	634,893
Employee benefits	1,121,666	376,617	29,541	1,527,824	1,615,113
Total personnel expenses	8,936,006	1,430,825	269,305	10,636,136	10,421,627
Other expenses					
Advertising and recruiting	62,335	31,836	654	94,825	44,796
Bank charges	-	-	1,385	1,385	14,082
Client care	187,720	186	3,304	191,210	144,059
Computer expenses	150,403	69,140	9,214	228,757	466,744
Conferences	46,522	36,482	3,885	86,889	51,402
Dues and subscriptions	10,158	40,062	955	51,175	65,265
Equipment rental	48,136	7,227	1,174	56,537	105,535
Food	241,796	-	6,401	248,197	218,725
Foster parent expenses	1,404,898	-	-	1,404,898	1,276,630
In-kind, supplies	3,410	-	184,874	188,284	132,679
Insurance	123,210	148,455	6,065	277,730	245,690
Interest expense	73,316	45,273	10,048	128,637	133,266
Office expense	32,847	43,665	9,595	86,107	106,034
Outside services	303,187	51,725	-	354,912	368,706
Postage	1,814	1,662	260	3,736	9,807
Printing	-	-	679	679	3,734
Professional services	126,829	157,459	85,992	370,280	251,712
Public relations	-	-	36,986	36,986	36,595
Rent	897,042	18,910	-	915,952	943,095
Repairs	118,058	15,164	2,619	135,841	250,287
Small equipment	1,057	183	-	1,240	2,396
Supplies	83,664	23,261	4,084	111,009	101,533
Taxes and licenses	4,128	4,483	154	8,765	16,908
Telephone	223,325	43,661	7,393	274,379	216,944
Transportation	130,790	17,172	-	147,962	129,799
Utilities	141,073	27,988	5,331	174,392	148,940
Direct benefit costs	-	-	137,096	137,096	173,240
Total other expenses	4,415,718	783,994	518,148	5,717,860	5,658,603
Depreciation and amortization	382,591	15,940	4,635	403,166	845,510
Less: expenses included with revenues on the statement of activities:					
Direct benefit costs	-	-	(137,096)	(137,096)	(173,240)
	$ 13,734,315	$ 2,230,759	$ 654,992	$ 16,620,066	$ 16,752,500

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

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 550,914	$ (435,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	403,166	845,510
Realized (gains)/losses on sales of investments	(200,011)	(168,482)
Unrealized (gains)/losses on investments	(372,645)	1,216,429
Loan forgiveness, construction loan	(235,992)	(235,992)
Reduction in the carrying amount of right-of-use assets - operating	783,716	-
Reduction in the carrying amount of right-of-use assets - financing	30,364	-
Changes in operating assets and liabilities		
Contracts receivable	(289,662)	(40,432)
Contributions and grants receivable	269,628	(325,872)
Deposits and prepaid expenses	83,054	124,960
Accounts payable and accrued expenses	82,715	(44,014)
Accrued payroll and related liabilities	28,411	(276,876)
Contract advances and reserves	58,680	(249,863)
Operating lease liability	(767,387)	-
Net cash provided by operating activities	424,951	410,041
Cash flows from investing activities		
Proceeds from the sales of investments	975,867	791,167
Purchases of investments	(872,100)	(489,815)
Reinvested dividends and interest, net	(160,728)	(114,145)
Purchases of property and equipment	(100,365)	-
Net cash provided by (used in) investing activities	(157,326)	187,207
Cash flows from financing activities		
Principal payments on mortgage and payable	(93,454)	(115,079)
Financing lease liability	(28,059)	(111,725)
Net cash used in financing activities	(121,513)	(226,804)
Net increase in cash and cash equivalents	146,112	370,444
Cash and cash equivalents, beginning of year	1,391,143	1,020,699
Cash and cash equivalents, end of year	$ 1,537,255	$ 1,391,143

Supplemental disclosure of cash flow information

	2023	2022
Cash paid during the year for interest	$ 128,637	$ 133,266

Supplemental schedule of noncash investing and financing activities

	2023	2022
Computer equipment acquired under capital lease	$ -	$ 57,697
Right-of-use lease assets obtained in exchange of lease obligations	$ 2,101,238	$ -

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

1. NATURE OF OPERATIONS

Established in 1915, Hamburger Home, Inc. dba Aviva Family and Children's Services ("Aviva") is a 501(c)(3) California nonprofit corporation providing comprehensive therapeutic services to vulnerable children, youth and adults through four program areas: mental health services, crisis intervention, foster and adoption and supporting housing for young women and their children experiencing homelessness. Aviva leadership and staff represent the multicultural, multi-ethnic communities they serve throughout Los Angeles County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, ASC Topic 842 ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840, *Leases*. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its balance sheet as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

Aviva adopted ASC 842, with an initial application date of July 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. Aviva did not restate prior periods as presented under ASC 840 and, instead, evaluated whether a cumulative impact adjustment to retained earnings as of July 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to retained earnings as of July 1, 2022, was necessary.

As part of the allowable transition method, Aviva elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election whereby the lease and nonlease components will not be separated for leases of office space, warehouse and equipment.
- Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

Aviva evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities, Aviva includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Income taxes

Aviva is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

Financial statement presentation

Aviva reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions are resources available to support operations. The only limits on the use of without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Aviva's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Aviva's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and cash equivalents

Aviva considers cash on deposit, temporary investments and all highly-liquid financial instruments with original maturities of three months or less to be cash equivalents. There were $567,813 in cash equivalents at June 30, 2023.

Concentrations

Aviva's bank balances occasionally exceed the FDIC-insured limits. Aviva has not experienced and does not anticipate any losses relating to cash held in these accounts.

Concentration of credit risk with respect to trade receivables is limited, as the majority of Aviva receivables consist of earned fees from contract programs granted by governmental agencies. The majority of Aviva's contributions and grants are received from corporations, foundations, and individuals and from California and local governmental entities. As such, Aviva's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Aviva's services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

Aviva received 83.4% or $14,324,136 of its revenue and support from government contracts and grants. Of this amount, 75.0% is funding received from the Los Angeles County Department of Mental Health (see Note 9) which consists of 40.4% of federal funding and 59.6% of non-federal funding.

Aviva holds investments in the form of equities, corporate bonds, and mutual funds. The Board of Directors routinely reviews market values of such investments and the credit ratings of bond issuers. Aviva's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Aviva's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

Investments

Investments are carried at fair value (see Note). Interest and dividend income, and gains and losses on investments are reported in the statement of activities as either increases or decreases in net assets without donor restrictions, unless the use is restricted by donor stipulations or law.

Property and equipment

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Buildings, leasehold improvements, furniture and equipment are capitalized if their costs exceed $5,000. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Assets purchased with government grant or contract funds are subject to certain restrictions including a proprietary interest in such assets and are charged at the time of acquisition to direct costs (expense) in accordance with grantor guidelines and simultaneously recorded as assets and contributions.

Assets purchased with governmental grants or contracts are capitalized and depreciated by Aviva in accordance with accounting standards generally accepted in the United States of America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Furniture and fixtures	5 - 10 years
Automobiles	5 years
Computer equipment	5 years
Software	5 years
Other fixed assets	4 - 5 years
Leasehold improvements	Lesser of useful life or term of lease

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by Aviva during the year ended June 30, 2023.

Contract receivables

Contract receivables are stated at the amount management expects to collect from outstanding balances. Contract receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when management receives notification from the grantor agency. Management provides for probable uncollectible amounts through a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2023, no allowance was established.

Contract advances and reserves

Contract advances consists of board and care overpayments pending refund on request to Los Angeles County Department of Children and Family Services and reserves for pending contract settlements with Los Angeles County Department of Mental Health ("DMH").

At the beginning of each contract year, DMH provides cash flow advances to Aviva equal to two-months of the annual contract. From that point forward Aviva submits monthly invoices to DMH reflecting services performed. At the end of the contract year, Aviva submits its annual cost report to DMH and updates its records to reflects its estimate of amount due to or due from DMH. At June 30, 2023, Aviva estimated that it had a net due from DMH amount of approximately $482,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and revenue recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as releases between net assets with and without donor restrictions.

Conditional promises to give, 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. Accordingly, Aviva recognizes government grant funds as support and revenue when eligible costs are incurred or when eligible services have been rendered. A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a liability (deferred revenue) is recorded when contract cash advances exceed support earned. Aviva has received approximately $16,364,000 of cost-reimbursable grants that have not been recognized at June 30, 2023 because qualifying expenses have not yet been incurred. This amount consists of approximately $15,900,000 and $464,000 relating to grants Aviva has received from DMH and the State of California Department of Health Care Access and Information ("HHS").

The grant received from HHS provides funding to Aviva to make loan repayment and retention payments to behavioral heath workers.

Contributions, which may include unconditional promises-to-give, are recognized as revenue in the period received or pledges.

Donated goods and services

Donations of goods received that are measurable are recorded as revenue and expense in equal amounts at their estimated fair value when received. Donations of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Expense recognition and allocation

The cost of providing Aviva's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

Support services expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Aviva.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition and allocation (continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Aviva generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Subsequent events

Aviva has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 19, 2023 the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

Aviva reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, Aviva's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Equities	$ 4,250,846	$ -	$ -	$ 4,250,846
Fixed-income	1,307,703	-	-	1,307,703
Hedge funds	595,412	-	-	595,412
	$ 6,153,961	$ -	$ -	$ 6,153,961

3. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 5,524,344
Realized gains on sales of investments	200,011
Unrealized losses on investments	372,645
Sales of investments	(975,867)
Purchases of investments	872,100
Reinvested dividends and interest, net of investment expenses of $44,965	160,728
Balance, end of year	$ 6,153,961

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Government Funded	Aviva Owned	Total
Land	$ -	$ 1,090,084	$ 1,090,084
Buildings	-	10,415,258	10,415,258
Leasehold improvements	68,876	-	68,876
Furniture and fixtures	-	638,162	638,162
Automobiles	212,100	180,544	392,644
Computer equipment	159,588	267,845	427,433
Software	1,282,901	-	1,282,901
Other fixed assets	-	20,915	20,915
	1,723,465	12,612,808	14,336,273
Accumulated depreciation and amortization	(1,723,465)	(9,709,189)	(11,432,654)
	$ -	$ 2,903,619	$ 2,903,619

Certain equipment has been purchased with federal, State and other granting agencies' funds. These agencies retain a proprietary interest in such property. Property acquired with these funds is considered to be owned by Aviva while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds therefrom is subject to federal, state, or local regulations.

Total depreciation and amortization expense for the year ended June 30, 2023 was $403,166.

5. ACCRUED PAYROLL, RELATED LIABILITIES AND CONTRACT ADVANCES AND RESERVES

Accrued payroll and related liabilities consisted of the following:

Accrued payroll	$	366,142
Accrued vacation		518,348
Other Accrued Expenses		20,980
	$	905,470

Contract advances consisted of the following:

Board and care overpayments - due to County	$	178,661
Mental health contract reserve		1,024,145
	$	1,202,806

6. FORGIVABLE CONSTRUCTION LOAN

Homeless emergency aid program loan

In August 2019, the City of Los Angeles provided Aviva with $2,360,000 in funding received from the State of California's Business, Consumer Services and Housing Agency, pursuant to the Homeless Emergency Aid Program, to support the rehabilitation of a building located at 1701 Camino Palermo Street in Los Angeles, California, in order to establish 42 transitional housing beds for female transition-aged youth who are homeless or are at risk of homelessness. The loan is secured by the property. If Aviva continues to operate the facility at 1701 Camino Palermo Street, then the loan will be forgiven at the rate of $118,000 every six-months for 10 years. During the year ended June 30, 2023, Aviva recognized $235,992 in loan forgiveness related to this forgivable construction loan which has been included within contributions and grants revenue in the accompanying statement of activities.

7. MORTGAGE PAYABLE

Aviva has a mortgage payable in monthly installments with First Citizens Bank maturing December 2028. The mortgage is secured by real property. The mortgage was payable in monthly installments of $21,584 with interest payable monthly at 4.15% per annum, with a balloon payment of $3,285,981 due March 2025. Aviva refinanced this mortgage payable effective January 1, 2022, the mortgage is payable in monthly installments of $18,464 with interest payable monthly at 3.55% per annum, with a balloon payment of $2,943,569 due December 2028. At June 30, 2023 the balance was $3,495,884 and Aviva was in compliance with its financial covenants.

Interest expense incurred for the year ended June 30, 2023 was $128,637.

7. MORTGAGE PAYABLE (continued)

Future minimum payments on the mortgage payable are as follows:

Year ending June 30,	
2024	$ 98,178
2025	101,721
2026	105,391
2027	109,194
2028	113,134
Thereafter	2,968,266
	$ 3,495,884

8. LINE OF CREDIT

Aviva has a line of credit with Bank of America. The line allows for borrowings up to $3,000,000, with no fixed maturity date and full repayment due on demand. The loan is collateralized by assets held in an investment account at U.S. Trust. Interest accrues at the current index rate, as defined, which was 6.9% at June 30, 2023. There was no outstanding balance at June 30, 2023.

Aviva has a line of credit with First Citizens Bank. The line allows for borrowings up to $2,000,000, with no fixed maturity date and full repayment due on demand. The loan is collateralized by real property. Interest accrues at the current index rate, as defined, which was 8.5% at June 30, 2023. There was no outstanding balance at June 30, 2023.

9. SOURCES OF GOVERNMENT CONTRACT REVENUE

Sources of government contract revenue are as follows:

Los Angeles County Department of Mental Health	$ 10,738,221
Los Angeles County Department of Children and Family Services	3,585,915
	$ 14,324,136

10. DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

Clothing	$	44,725
Food		2,800
Supplies		140,759
	$	188,284

All donated goods and services, received for the year ended June 30, 2023, were considered without donor restrictions. Aviva values donated goods and services based on information provided by the donor.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions during the year are as follows:

	Released from Restrictions	Balance, June 30, 2023
Supportive housing for women and children	$ 508,394	$ 164,054
Support for other programs	23,610	40,142
	$ 532,004	$ 204,196

12. COMMITMENTS AND CONTINGENCIES

Contracts

Aviva's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs.

Included in contract advances is a reserve of $710,478 for the Mental Health contract. This amount reflects the Los Angeles County Department of Mental Health's Combined Settlements and Interim Settlements through 2019-2020.

In September 2021, Aviva entered into a repayment agreement with the Los Angeles County Department of Mental Health to repay the $710,478 with a maximum allowable repayment period of three years.

12. COMMITMENTS AND CONTINGENCIES (continued)

Contracts (continued)

In April 2022, Aviva requested to defer payment of the $710,478 due to DMH and offset the amount against future receivables from DMH. As of December 19, 2023, DMH has not yet responded to Aviva's request.

Litigation

Aviva is involved in certain litigation, arising from operations, the ultimate outcome of which is not susceptible to reasonable estimation. Management believes that any potential settlements will be compensated from existing insurance coverage.

13. LEASES

In July 2022, the Organization adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the accompanying statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases").

The Organization has operating leases for building space in the Los Angeles area under non-cancelable operating leases and financing leases for equipment. These lease agreements were previously recognized under the prior standard, ASC 840, as operating leases at June 30, 2022. Upon adoption of ASC 842, the qualifying leases have been recognized as right-of-use lease assets - operating and right-of-use lease assets - financing on the accompanying statement of financial position at June 30, 2023. The leases carry separate terms and expire at various dates through January 2028.

The adoption of ASC 842 resulted in the recognition of right-of-use lease assets and liabilities totaling $2,101,238.

Right-of-use lease assets are as follows:

Right-of-use lease assets - operating	$ 1,317,522
Right-of-use lease assets - financing	37,647
	$ 1,355,169

13. LEASES (continued)

Lease liability is detailed as follows:

Operating lease liability	$ 1,333,851
Financing lease liability	43,354
	$ 1,377,205

The weighted-average remaining lease terms and discount rates are as follows:

Weighted-average remaining lease term - operating lease	2.92 years
Weighted-average discount rate - operating lease	3.22%
Weighted-average remaining lease term - financing lease	2.43 years
Weighted-average discount rate - financing lease	3.09%

Future maturities of lease liabilities are as follows:

Year ending June 30,	Operating	Financing	Total
2024	$ 854,131	$ 26,413	$ 880,544
2025	246,527	14,364	260,891
2026	121,013	2,890	123,903
2027	106,957	-	106,957
2028	62,392	-	62,392
	1,391,020	43,667	1,434,687
Less: discount to present value	(57,169)	(313)	(57,482)
	$ 1,333,851	$ 43,354	$ 1,377,205

Lease costs for the year consisted of the following:

Operating lease costs	
Monthly scheduled rent	$ 714,526
Month-to-month lease costs	42,780
Variable lease costs	53,176
	810,482
Financing lease costs	
Monthly scheduled rent	30,210
Month-to-month lease costs	25,055
	55,265
	$ 865,747

13. LEASES (continued)

In July 2024 Aviva's most significant building space lease expires. The current monthly rent on this lease is approximately $55,000. Aviva does not plan to renew this lease and will instead relocate to a new location in the Wilshire corridor area of Los Angeles.

14. RETIREMENT PLANS

Aviva maintains three retirement plans:

Multi-employer defined benefit plan

Aviva participates in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (the "Basic Plan"), identified as Plan 001 and Employer Identification Number 95-1643388. The Basic Plan is a multi-employer pension plan for certain employees of the Jewish Federation Council of Greater Los Angeles and participating affiliate agencies. Substantially all employees hired prior to 2006 are participants in the Basic Plan. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If Aviva chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For the plan year beginning January 1, 2022, the Basic Plan was certified to be in neither endangered nor critical status ("Green Zone") because the Basic Plan's funded percentage was greater than 80%. The Basic Plan has been Green Zone certified since January 1, 2014. The JFC has not made the Basic Plan's financial information available at June 30, 2023, so the total plan assets and accumulated benefit obligations are being omitted from disclosure. During 2023, Aviva contributed $358,230 to the Basic Plan which exceeded 5% of the total plan contributions.

The Basic Plan's audited financial statements and Form 5500 for 2022 are available to the public on the Department of Labor website.

14. RETIREMENT PLANS (continued)

403(b) defined contribution plan

Aviva offers a qualified 403(b) to all employees who were hired after January 1, 2006. This plan has an auto- enrollment feature requiring employees to opt out if they do not wish to make salary deferral contributions to a traditional or Roth retirement account to the extent allowed by law. Employees who have completed one year of service, are age twenty-one or older, and are not included in the Basic Plan may have up to 5% of their contributions matched by Aviva. Employer contributions are made each payroll period. During 2023 Aviva contributed $244,452 to the 403(b) defined contribution plan.

457(b) deferred compensation plan

Aviva established a non-qualified, non-ERISA IRC Section 457(b) plan covering certain employees holding executive positions with Aviva. Under the terms of the plan, executives selected to participate by the Board of Directors will receive benefits upon separation and/or retirement. Aviva intends to fund the benefits on a discretionary basis. Additionally, the plan permits eligible employees to defer part of their own compensation. No pension expense incurred for this plan during the year. At June 30, 2023, Aviva has accrued $22,093 in deferred compensation liability related to this plan which is included within deferred compensation in the accompanying statement of financial position.

15. LIQUIDITY AND AVAILABILITY

Liquidity and availability of financial assets was as follows:

Cash and cash equivalents	$ 1,537,255
Contract receivables	1,970,407
Investments	6,153,961
	9,661,623
Contract advances and reserves	(1,202,806)
Net assets subject to expenditure for specified purpose (see Note 11)	(204,196)
	$ 8,254,621

Aviva's goal is generally to maintain financial assets to meet 30 days of operating expenses approximately $1,000,000. As part of its liquidity plan, Aviva bills government-funded contracts in accordance with funding terms and conditions or receives periodic advances from funders, generally monthly. Amounts available for expenditure over the period of the next twelve months are dependent on governmental funder's payment cycles which vary from 45 to 50 days. Excess cash, if any, is invested in short-term investments, including money market accounts. Aviva has two lines of credit accounts totaling $5,000,000 available to meet cash flow needs (See Note 8).