

## **Hamburger Home**

dba Aviva Family and Children's Services

Financial Statements

June 30, 2025

(With Comparative Totals for 2024)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hamburger Home  
dba Aviva Family and Children's Services

### **Opinion**

We have audited the accompanying financial statements of Hamburger Home dba Aviva Family and Children's Services ("Aviva"), which comprise the statement of financial position as of June 30, 2025, 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 dba Aviva Family and Children's Services 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. 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 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.

### **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'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'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'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 dba Aviva Family and Children's Services 's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Armanino LLP*

Los Angeles, California

December 31, 2025

Hamburger Home  
 dba Aviva Family and Children's Services  
 Statement of Financial Position  
 June 30, 2025  
 (With Comparative Totals for 2024)

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,705,161	\$ 1,343,044
Contract receivables, net	816,091	2,127,798
Contributions and grants receivable	465,800	935,110
Deposits and prepaid expenses	826,774	637,382
Investments	7,985,445	6,379,479
Right-of-use lease assets - operating, net	2,768,728	511,350
Right-of-use lease assets - financing, net	79,243	17,909
Property and equipment, net	2,791,230	2,742,830
Other assets	61,393	59,643
Total assets	\$ 18,499,865	\$ 14,754,545
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 243,198	\$ 101,801
Accrued payroll and related liabilities	1,234,251	1,099,025
Operating lease liabilities	3,026,804	527,679
Financing lease liabilities	78,714	17,213
Contract advances	889,196	466,722
Mortgage payable	3,300,672	3,399,353
Forgivable construction loan	1,042,378	1,278,370
Deferred compensation	57,926	56,176
Total liabilities	9,873,139	6,946,339
<b>Net assets</b>		
Without donor restrictions	8,256,622	7,077,006
With donor restrictions	370,104	731,200
Total net assets	8,626,726	7,808,206
Total liabilities and net assets	\$ 18,499,865	\$ 14,754,545

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

Hamburger Home  
dba Aviva Family and Children's Services  
Statement of Activities  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenues, gains, and other support				
Government contracts and grants	\$ 17,624,253	\$ -	\$ 17,624,253	\$ 16,553,149
Other contract revenue	1,219,224	-	1,219,224	1,165,840
Contributions and grants	483,263	686,650	1,169,913	1,498,995
Proceeds from special events, net	150,946	-	150,946	132,422
Donated goods and services	91,071	-	91,071	74,998
Investment return, net	820,950	-	820,950	909,478
Other income	213,924	-	213,924	27,511
Net assets released from restriction	1,047,746	(1,047,746)	-	-
Total revenues, gains, and other support	<u>21,651,377</u>	<u>(361,096)</u>	<u>21,290,281</u>	<u>20,362,393</u>
Functional expenses				
Program services	<u>15,622,600</u>	<u>-</u>	<u>15,622,600</u>	<u>14,075,422</u>
Support services				
Management and general	4,211,073	-	4,211,073	3,614,505
Fundraising	638,088	-	638,088	634,219
Total support services	<u>4,849,161</u>	<u>-</u>	<u>4,849,161</u>	<u>4,248,724</u>
Total functional expenses	<u>20,471,761</u>	<u>-</u>	<u>20,471,761</u>	<u>18,324,146</u>
Change in net assets	1,179,616	(361,096)	818,520	2,038,247
Net assets, beginning of year	<u>7,077,006</u>	<u>731,200</u>	<u>7,808,206</u>	<u>5,769,959</u>
Net assets, end of year	<u>\$ 8,256,622</u>	<u>\$ 370,104</u>	<u>\$ 8,626,726</u>	<u>\$ 7,808,206</u>

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

Hamburger Home  
dba Aviva Family and Children's Services  
Statement of Functional Expenses  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2025 Total</u>	<u>2024 Total</u>
Personnel expenses					
Salaries and wages	\$ 8,796,294	\$ 2,176,719	\$ 362,226	\$ 11,335,239	\$ 10,254,892
Payroll taxes	711,869	145,752	26,929	884,550	736,619
Employee benefits	<u>1,066,743</u>	<u>458,033</u>	<u>27,570</u>	<u>1,552,346</u>	<u>1,477,657</u>
Total personnel expenses	<u>10,574,906</u>	<u>2,780,504</u>	<u>416,725</u>	<u>13,772,135</u>	<u>12,469,168</u>
Other expenses					
Advertising and recruiting	14,551	70,125	205	84,881	166,961
Bank charges	-	15,642	996	16,638	9,633
Client care	313,634	2,374	696	316,704	275,833
Computer expenses	206,508	135,574	15,977	358,059	240,096
Conferences	42,378	140,501	3,825	186,704	98,524
Dues and subscriptions	5,933	37,162	565	43,660	61,148
Equipment rental	30,519	26,072	895	57,486	53,278
Food	301,517	-	12,500	314,017	279,943
Foster parent expenses	795,691	-	-	795,691	972,131
In-kind, supplies	91,071	-	-	91,071	74,998
Insurance	143,589	326,191	10,346	480,126	310,846
Interest expense	53,453	61,462	8,193	123,108	148,423
Office expense	59,886	75,080	19,890	154,856	148,296
Outside services	814,841	72,621	-	887,462	387,989
Postage	2,005	3,124	402	5,531	7,271
Printing	1,075	30	1,302	2,407	4,162
Professional services	312,530	198,881	79,824	591,235	369,304
Public relations	-	-	42,744	42,744	19,656
Rent	675,398	44,407	-	719,805	936,821
Facilities expenses	311,668	87,911	7,092	406,671	172,124
Supplies	70,713	29,873	3,246	103,832	124,266
Taxes and licenses	6,526	3,812	389	10,727	2,085
Telephone	198,814	46,099	4,890	249,803	364,727
Transportation	79,013	11,388	1,424	91,825	122,859
Utilities	122,740	39,142	5,329	167,211	153,274
Direct benefit costs	-	-	<u>171,568</u>	<u>171,568</u>	<u>137,349</u>
Total other expenses	<u>4,654,053</u>	<u>1,427,471</u>	<u>392,298</u>	<u>6,473,822</u>	<u>5,641,997</u>
Depreciation and amortization	<u>393,641</u>	<u>3,098</u>	<u>633</u>	<u>397,372</u>	<u>350,330</u>
Less: expenses included with revenues on the statement of activities:					
Direct benefit costs	<u>-</u>	<u>-</u>	<u>(171,568)</u>	<u>(171,568)</u>	<u>(137,096)</u>
	<u>\$ 15,622,600</u>	<u>\$ 4,211,073</u>	<u>\$ 638,088</u>	<u>\$ 20,471,761</u>	<u>\$ 18,324,399</u>

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

Hamburger Home  
dba Aviva Family and Children's Services  
Statement of Cash Flows  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 818,520	\$ 2,038,247
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	357,720	330,592
Realized gains on sales of investments	(34,192)	(143,915)
Unrealized gains on investments	(612,591)	(608,958)
Reinvested dividends and interest, net	(185,409)	(172,787)
Loan forgiveness, construction loan	(235,992)	(235,992)
Reduction in the carrying amount of right-of-use assets - operating	609,779	806,172
Reduction in the carrying amount of right-of-use assets - financing amortization	39,652	19,738
Changes in operating assets and liabilities		
Contract receivables, net	1,311,707	(157,391)
Contributions and grants receivable	469,310	(866,246)
Deposits and prepaid expenses	(189,392)	(229,204)
Other assets	(1,750)	(37,550)
Accounts payable and accrued expenses	141,397	(29,966)
Accrued payroll and related liabilities	135,226	193,555
Contract advances and reserves	422,474	(736,084)
Operating lease liabilities	(368,032)	(806,172)
Deferred compensation	1,750	34,083
Net cash provided by (used in) operating activities	2,680,177	(601,878)
Cash flows from investing activities		
Proceeds from the sales of investments	372,530	1,712,561
Purchases of investments	(1,146,304)	(1,012,419)
Purchases of property and equipment	(406,120)	(169,803)
Net cash provided by (used in) investing activities	(1,179,894)	530,339
Cash flows from financing activities		
Principal payments on mortgage payable	(98,681)	(96,531)
Financing lease liabilities	(39,485)	(26,141)
Net cash used in financing activities	(138,166)	(122,672)
Net increase (decrease) in cash and cash equivalents	1,362,117	(194,211)
Cash and cash equivalents, beginning of year	1,343,044	1,537,255
Cash and cash equivalents, end of year	\$ 2,705,161	\$ 1,343,044

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 123,108	\$ 148,423
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The accompanying notes are an integral part of these financial statements.

Hamburger Home  
dba Aviva Family and Children's Services  
Statement of Cash Flows  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Supplemental schedule of noncash investing and financing activities		
Right-of-use lease assets obtained in exchange of lease obligations	\$ 2,968,143	\$ -

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

Hamburger Home  
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Notes to Financial Statements  
June 30, 2025

1. NATURE OF OPERATIONS

Established in 1915, Hamburger Home 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 five program areas: mental health services, intensive community based services, foster and adoption, interim supportive housing for women and children, and a drop-in-center for unhoused youth and young adults. Aviva leadership and staff represent the multicultural, multi-ethnic communities they serve throughout Los Angeles County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 from 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.

Hamburger Home  
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Notes to Financial Statements  
June 30, 2025

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 was \$2,238,866 in cash and \$466,295 in cash equivalents at June 30, 2025.

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.

Hamburger Home  
dba Aviva Family and Children's Services  
Notes to Financial Statements  
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

Aviva received 82.8% or \$17,624,253 of its revenue and support from government contracts and grants. Of this amount, 96.5% is funding received from the Los Angeles County Department of Mental Health (see Note 10) which consists of 54.8% of federal funding and 45.2% 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 4). 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.

Fair value measurements

Aviva has adopted ASC No. 820-10, Fair Value Measurements and Disclosures ("ASC 820-10") which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of inputs that may be used to measure fair value under ASC 820-10 are described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs based on quoted prices in nonactive markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly observable, but are corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities.

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Notes to Financial Statements  
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Leases

Aviva determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the accompanying statement of financial position. Finance leases are included in property and equipment and liabilities on accompanying the statement of financial position.

ROU assets represent Aviva's right to use an underlying asset for the lease term and lease liabilities represent Aviva's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As Aviva's lease does not provide an implicit rate, Aviva uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Aviva's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Aviva has elected the short-term lease exemption for the lease terms are not exceeding 12 months.

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.

Hamburger Home  
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Notes to Financial Statements  
June 30, 2025

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 and improvements	10 - 25 years
Furniture and fixtures	5 years
Automobiles	5 years
Computer equipment	5 years
Software	5 years
Other fixed assets	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, 2025.

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. Management has established a reserve in the amount of \$266,911 for potential denied claims for the year ended June 30, 2025.

The majority of Aviva's contract receivables are due from departments of the Los Angeles County government. Credit losses associated with these receivables is considered to be remote and therefore as of June 30, 2025, no allowance for credit losses was established.

Contract advances

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 and for contractual overpayments with Los Angeles County Department of Mental Health ("DMH").

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Notes to Financial Statements  
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract advances (continued)

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. For contract years ending June 30, 2023 and prior, Aviva submitted an annual cost report and updated its records to reflect its estimate of amount due to or due from DMH.

Beginning July 1, 2023, DMH made changes to its billing practices and no longer requires annual cost reports. Instead DMH pays Aviva for all approved claims up to the annual maximum contract amount. DMH reserves the right to review and deny claims at their discretion. At June 30, 2025, Aviva estimated that it did not have any amounts due from DMH for the contract year ending June 30, 2025 and has a contract advance liability of \$634,304.

Department of Mental Health Contract Revenue

Department of Mental Health ("DMH") contract revenue is recognized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASC") 606, *Revenue from Contracts with Customers*. Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

A contract contains a promise (or promises) to transfer services to a customer. A performance obligation is a promise (or a group of promises) that is distinct. The transaction price is the amount of consideration Aviva expects to be entitled from a customer in exchange for providing services. Revenue is recognized when Aviva satisfies each performance obligation by performing the promised services to the customer.

Aviva records revenues related to the contract net of a contractual allowance for potential disallowed billings, which have historically ranged from 1 - 2%. Credit loss risk related to the DMH contract is remote since the funds are due from the State of California.

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Notes to Financial Statements  
June 30, 2025

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 \$202,000 of cost-reimbursable grants that have not been recognized at June 30, 2025 because qualifying expenses have not yet been incurred. This amount consists solely of a grant Aviva has received from State of California Department of Health Care Access and Information ("HCAI").

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

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

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.

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Notes to Financial Statements  
June 30, 2025

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.

Reclassifications

Certain June 30, 2024 balances were reclassified to confirm with 2025 presentation.

Subsequent events

Aviva has evaluated events subsequent to June 30, 2025, to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through December 31, 2025 the date the accompanying financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the accompanying financial statements, except as disclosed in Note 14.

3. CONTRACT RECEIVABLES, NET AND CONTRACT ADVANCES

Contract receivables, net consisted of the following:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
DMH	<u>\$ -</u>	<u>\$ 1,535,057</u>	<u>\$ 1,506,134</u>
Board and care fees	86,264	101,158	170,979
Intensive Foster Care	57,144	85,667	59,997
DCFS receivables	353,767	167,959	146,320
PATH contract	567,077	451,637	86,977
Other receivables	18,750	-	-
	<u>1,083,002</u>	<u>806,421</u>	<u>464,273</u>
Reserve for potential denied claims	<u>(266,911)</u>	<u>(213,680)</u>	<u>-</u>
	<u>\$ 816,091</u>	<u>\$ 2,127,798</u>	<u>\$ 1,970,407</u>

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3. CONTRACT RECEIVABLES, NET AND CONTRACT ADVANCES (continued)

For fiscal year ended June 30, 2023, the DMH contract settled on a cost reimbursement basis. Accordingly, no reserve for denied claims was established against revenue, but any estimated amount due back to DMH was recorded as a contractual liability. For fiscal years ended June 30, 2025 and 2024, contract reserves are treated as a reduction in expected revenue and reflected as a component of contract receivables.

Aviva receives cash flow advances ("CFA") from DMH which are offset against receivables submitted within the DMH claims processing system. DMH initiates recovery of any outstanding CFA balances remaining as of November 30 of the following fiscal year.

Contract advances and reserves consisted of the following:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Board and care overpayments	\$ 254,892	\$ 253,855	\$ -
Reserve for DMH unapplied payments	-	112,867	-
Remaining balance on cash flow advances	<u>634,304</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 889,196</u>	<u>\$ 466,722</u>	<u>\$ -</u>

4. 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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 5,405,062	\$ -	\$ -	\$ 5,405,062
Fixed income	-	919,457	-	919,457
Mutual funds	719,482	-	-	719,482
Hedged strategy funds	804,935	-	-	804,935
U.S. treasuries	<u>-</u>	<u>136,509</u>	<u>-</u>	<u>136,509</u>
	<u>\$ 6,929,479</u>	<u>\$ 1,055,966</u>	<u>\$ -</u>	<u>\$ 7,985,445</u>

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4. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 6,379,479
Realized gains on sales of investments	34,192
Unrealized losses on investments	612,591
Sales of investments	(372,530)
Purchases of investments	1,146,304
Reinvested dividends and interest, net of investment expenses of \$53,370	<u>185,409</u>
Balance, end of year	<u><u>\$ 7,985,445</u></u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>Government Funded</u>	<u>Aviva Owned</u>	<u>Total</u>
Land	\$ -	\$ 1,090,084	\$ 1,090,084
Buildings and improvements	-	10,787,794	10,787,794
Leasehold improvements	14,322	-	14,322
Furniture and fixtures	-	552,734	552,734
Automobiles	18,977	125,562	144,539
Computer equipment	-	154,946	154,946
Software	1,282,901	20,913	1,303,814
Construction in progress	<u>-</u>	<u>10,711</u>	<u>10,711</u>
	1,316,200	12,742,744	14,058,944
Accumulated depreciation and amortization	<u>(1,316,200)</u>	<u>(9,951,514)</u>	<u>(11,267,714)</u>
	<u><u>\$ -</u></u>	<u><u>\$ 2,791,230</u></u>	<u><u>\$ 2,791,230</u></u>

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 expense for the year ended June 30, 2025 was \$357,720.

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6. ACCRUED PAYROLL AND RELATED LIABILITIES

Accrued payroll and related liabilities consisted of the following:

Accrued payroll	\$ 567,879
Accrued vacation	739,859
Other accrued expenses	<u>(73,487)</u>
	<u>\$ 1,234,251</u>

7. 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, 2025, 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. The outstanding balance of the forgivable construction loan was \$1,042,378 as of June 30, 2025.

8. 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 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, 2025 the balance was \$3,300,672 and Aviva was in compliance with its financial covenants.

Mortgage interest expense incurred for the year ended June 30, 2025 was \$122,894.

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8. MORTGAGE PAYABLE (continued)

Future minimum payments on the mortgage payable are as follows:

<u>Year ending June 30,</u>	
2026	\$ 105,391
2027	109,194
2028	113,134
2029	<u>2,972,953</u>
	<u><u>\$ 3,300,672</u></u>

9. LINES 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 Bank of America. Interest accrues at the current index rate, as defined, which was 6.1% at June 30, 2025. There was no outstanding balance at June 30, 2025.

Aviva also has a line of credit with First Citizens Bank. The line allows for borrowings up to \$2,000,000, matures on February 1, 2026, is collateralized by certain real property, and full repayment is due on demand. Interest accrues at the current index rate, as defined, which was 7.3% at June 30, 2025. There was no outstanding balance at June 30, 2025.

10. SOURCES OF GOVERNMENT CONTRACT REVENUE

Sources of government contract revenue are as follows:

Los Angeles County Department of Mental Health	\$ 15,187,638
Los Angeles County Department of Children and Family Services	<u>2,436,615</u>
	<u><u>\$ 17,624,253</u></u>

11. DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

Clothing	\$ 1,145
Food	7,880
Supplies	<u>82,046</u>
	<u><u>\$ 91,071</u></u>

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11. DONATED GOODS AND SERVICES (continued)

All donated services were utilized during the year ended June 30, 2025 on programmatic activities of Aviva. Values used in recording revenues and expenses are management's estimates of fair value.

12. NET ASSETS WITH DONOR RESTRICTIONS

Balances and activity in net assets consisted of the following:

	<u>Balance at June 30, 2024</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2025</u>
Supportive housing for women and children	\$ 4,321	\$ 234,120	\$ (210,611)	\$ 27,830
Support for other programs	5,894	-	-	5,894
Lifting Youth Up Drop-in Center	720,985	50,000	(634,605)	136,380
Retention	-	202,530	(202,530)	-
Time-restricted	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 731,200</u>	<u>\$ 686,650</u>	<u>\$ (1,047,746)</u>	<u>\$ 370,104</u>

13. 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.

14. LEASES

The Organization has operating leases for building space in the Los Angeles area under non-cancelable operating leases and financing leases for equipment. The leases carry separate terms and expire at various dates through January 2031.

In February 2024, Aviva entered into an operating lease agreement for a location in the Wilshire corridor of Los Angeles and took possession of the property in August 2024. The new location requires a monthly rent of approximately \$39,000, with scheduled escalations, and expires in January 2031. The new lease resulted in the recognition of right-of-use lease assets and liabilities of \$2,673,409.

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14. LEASES (continued)

In October 2024, Aviva entered into a finance lease agreement for new network equipment. The new lease requires monthly rent of approximately \$2,800, with no scheduled escalations, and expires in September 2027. The new lease resulted in the recognition of right-of-use lease assets and liabilities of \$100,986.

In April 2025, Aviva entered into a lease modification with their preexisting Imperial Highway location. The modification included a lease extension, which expires in August 2027. The lease modification resulted in the recognition of right-of-use lease assets and liabilities of \$193,748.

Amortization of right-of-use lease assets - finance was \$39,652 for the year ended June 30, 2025.

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

Weighted-average remaining lease term - operating lease	5.11 years
Weighted-average discount rate - operating lease	3.80%
Weighted-average remaining lease term - financing lease	2.17 years
Weighted-average discount rate - financing lease	4.68%

Future maturities of lease liabilities are as follows:

<u>Year ending June 30,</u>	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2026	\$ 673,059	\$ 36,704	\$ 709,763
2027	691,211	33,814	725,025
2028	599,570	8,453	608,023
2029	525,250	-	525,250
2030	541,007	-	541,007
Thereafter	<u>324,490</u>	<u>-</u>	<u>324,490</u>
	3,354,587	78,971	3,433,558
Less: imputed interest	<u>(327,783)</u>	<u>(257)</u>	<u>(328,040)</u>
	<u>\$ 3,026,804</u>	<u>\$ 78,714</u>	<u>\$ 3,105,518</u>

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14. LEASES (continued)

Lease costs for the year consisted of the following:

Operating lease costs	
Monthly scheduled rent	\$ 437,417
Month-to-month lease costs	29,712
	467,129
Financing lease costs	
Monthly scheduled rent	39,725
	39,725
	\$ 506,854

Subsequent to the year-end of June 30, 2025, in November 2025, Aviva entered into a letter of intent agreement for a Ground Lease with the City of Los Angeles for the development of a modular residential community serving up to 27 women, including four family units for mothers with children. The lease term is 30 years with zero cost rent and will commence upon completion of construction of the modular residential community.

15. 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.

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15. RETIREMENT PLANS (continued)

For the plan year beginning January 1, 2024, 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, 2025, so the total plan assets and accumulated benefit obligations are being omitted from disclosure. During 2025, Aviva contributed \$355,956 to the Basic Plan which exceeded 5% of the total plan contributions.

The Basic Plan's audited financial statements and Form 5500 for 2024 are available to the public on the Department of Labor website.

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 the fiscal year ended 2025, Aviva contributed \$297,025 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 was incurred for this plan during the year. At June 30, 2025, Aviva has accrued \$57,926 in deferred compensation liability related to this plan which is included within deferred compensation in the accompanying statement of financial position.

16. LIQUIDITY AND AVAILABILITY

Liquidity and availability of financial assets was as follows:

Cash and cash equivalents	\$ 2,705,161
Contract receivables, net	816,091
Contributions and grants receivable	465,800
Investments	<u>7,985,445</u>
	11,972,497
Contract advances and reserves	(889,196)
Net assets subject to expenditure for specified purpose (see Note 12)	<u>(170,104)</u>
	<u><u>\$ 10,913,197</u></u>

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16. LIQUIDITY AND AVAILABILITY (continued)

Aviva's goal is generally to maintain financial assets to meet 30 days of operating expenses approximately \$1,700,000. 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 historically maintained two lines of credit accounts totaling \$5,000,000 available to meet cash flow needs (see Note 9).