

OLIVE CREST

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

OLIVE CREST
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Olive Crest

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Olive Crest and its affiliate (nonprofit organizations) (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Organization as of June 30, 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of the report. We are required to be independent of the Organization 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

To the Board of Directors
Olive Crest

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 the Organization's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

To the Board of Directors
Olive Crest

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

December 22, 2022
Los Angeles, California

OLIVE CREST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Summarized Totals at June 30, 2021

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
Cash and Cash Equivalents	\$ 14,683,851	\$ 453,330	\$ 15,137,181	\$ 13,028,164
Grants Receivable (Net)	8,228,313	-	8,228,313	6,996,442
Contributions Receivable (Net)	-	118,388	118,388	110,478
Prepaid Expenses and Other Assets	1,333,969	-	1,333,969	990,095
Property and Equipment (Net)	15,606,168	-	15,606,168	16,233,849
TOTAL ASSETS	\$ 39,852,301	\$ 571,718	\$ 40,424,019	\$ 37,359,028
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 981,107	\$ -	\$ 981,107	\$ 1,336,134
Accrued Liabilities	4,119,359	-	4,119,359	3,682,753
Deferred Revenues	740,264	-	740,264	716,622
Notes Payable (Net)	8,470,094	-	8,470,094	8,960,677
Capital Lease Obligations	215,702	-	215,702	306,751
TOTAL LIABILITIES	14,526,526	-	14,526,526	15,002,937
NET ASSETS:				
Without Donor Restrictions	25,325,775	-	25,325,775	21,897,209
With Donor Restrictions	-	571,718	571,718	458,882
TOTAL NET ASSETS	25,325,775	571,718	25,897,493	22,356,091
TOTAL LIABILITIES AND NET ASSETS	\$ 39,852,301	\$ 571,718	\$ 40,424,019	\$ 37,359,028

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

OLIVE CREST

CONSOLIDATED STATEMENT OF ACTIVITIES Year Ended June 30, 2022 With Summarized Totals for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
REVENUES:				
Government Grants	\$ 56,499,638	\$ -	\$ 56,499,638	\$ 53,666,429
Contributions	10,825,926	139,873	10,965,799	7,782,563
Special Events (Net of Direct Donor Benefits of \$1,160,082)	1,589,902	-	1,589,902	1,715,598
In-Kind Contributions	1,484,982	-	1,484,982	1,291,948
Other Income	914,438	-	914,438	1,906,478
Net Assets Released from Restrictions	27,037	(27,037)	-	-
TOTAL REVENUES	71,341,923	112,836	71,454,759	66,363,016
EXPENSES:				
Program Services	58,836,110	-	58,836,110	54,810,487
Management and General	5,385,504	-	5,385,504	5,375,440
Fundraising	3,691,743	-	3,691,743	3,996,379
TOTAL EXPENSES	67,913,357	-	67,913,357	64,182,306
CHANGE IN NET ASSETS	3,428,566	112,836	3,541,402	2,180,710
Net Assets - Beginning of Year	21,897,209	458,882	22,356,091	20,175,381
NET ASSETS - END OF YEAR	\$ 25,325,775	\$ 571,718	\$ 25,897,493	\$ 22,356,091

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
With Summarized Totals for the Year Ended December 31, 2021

	Program Services						Supporting Services			Total Expenses	2021 Total
	Foster, Adoption, Residential Program Services	Family Preservation, Wrap Program Services	Mental Health Program Services	Education Program Services	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and Wages	\$ 9,597,414	\$ 1,692,181	\$ 13,124,390	\$ 4,677,036	\$ 4,052,085	\$ 33,143,106	\$ 2,686,460	\$ 1,703,127	\$ 4,389,587	\$ 37,532,693	\$ 35,205,688
Payroll Taxes and Related Costs	730,218	129,492	961,326	343,151	303,137	2,467,324	174,540	121,872	296,412	2,763,736	2,581,488
Other Employee Benefits	1,214,745	178,744	1,317,245	540,991	383,230	3,634,955	250,158	148,315	398,473	4,033,428	4,055,974
TOTAL PERSONNEL COSTS	11,542,377	2,000,417	15,402,961	5,561,178	4,738,452	39,245,385	3,111,158	1,973,314	5,084,472	44,329,857	41,843,150
Services and Supplies	6,582,681	489,641	617,929	285,610	798,879	8,774,740	721,520	1,046,223	1,767,743	10,542,483	10,231,145
Facilities	700,341	130,045	710,568	424,666	1,927,049	3,892,669	483,394	74,642	558,036	4,450,705	4,003,308
Professional Fees	121,350	74,861	835,342	198,399	222,429	1,452,381	445,759	299,677	745,436	2,197,817	2,355,979
Transportation	364,782	35,422	678,425	313,098	115,291	1,507,018	27,276	28,332	55,608	1,562,626	1,130,912
In-Kind Contributions	621,220	191,951	369,086	39,936	199,416	1,421,609	-	63,373	63,373	1,484,982	1,291,948
Utilities and Telephone	376,913	75,973	289,719	92,662	384,012	1,219,279	192,983	57,615	250,598	1,469,877	1,421,714
Depreciation	298,662	52,641	119,071	366,672	120,881	957,927	142,954	33,613	176,567	1,134,494	1,219,712
Interest	46,414	690	4,266	159,636	14,285	225,291	167,802	10,999	178,801	404,092	423,207
Conferences and Meetings	27,124	6,502	17,193	4,879	26,565	82,263	92,658	69,930	162,588	244,851	126,583
Bad Debt	-	-	57,548	-	-	57,548	-	34,025	34,025	91,573	134,648
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 20,681,864</u>	<u>\$ 3,058,143</u>	<u>\$ 19,102,108</u>	<u>\$ 7,446,736</u>	<u>\$ 8,547,259</u>	<u>\$ 58,836,110</u>	<u>\$ 5,385,504</u>	<u>\$ 3,691,743</u>	<u>\$ 9,077,247</u>	<u>\$ 67,913,357</u>	
	87%						8%	5%		100%	
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 20,065,200</u>	<u>\$ 3,209,700</u>	<u>\$ 17,123,299</u>	<u>\$ 6,894,348</u>	<u>\$ 7,517,940</u>	<u>\$ 54,810,487</u>	<u>\$ 5,375,440</u>	<u>\$ 3,996,379</u>	<u>\$ 9,371,819</u>		<u>\$ 64,182,306</u>
	86%						8%	6%			100%

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2022 With Summarized Totals for the Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,541,402	\$ 2,180,710
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Provision for Uncollectible Accounts	91,573	134,648
Depreciation	1,134,494	1,219,712
(Gain) Loss on Disposal of Property and Equipment	-	(738,601)
Amortization of Debt Issuance Costs	7,584	7,705
(Increase) Decrease in:		
Grants Receivable	(1,323,444)	573,497
Contributions Receivable	(7,910)	27,996
Prepaid Expenses and Other Assets	(343,874)	133,364
Increase (Decrease) in:		
Accounts Payable	(355,027)	200,046
Accrued Liabilities	436,606	196,267
Deferred Revenues	23,642	(140,248)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,205,046	3,795,096
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(411,190)	(70,196)
Proceeds from Sales of Property and Equipment	-	1,531,103
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(411,190)	1,460,907
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Notes Payable	(593,790)	(560,412)
Payments on Capital Lease Obligations	(91,049)	(111,107)
NET CASH USED IN FINANCING ACTIVITIES	(684,839)	(671,519)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,109,017	4,584,484
Cash and Cash Equivalents - Beginning of Year	13,028,164	8,443,680
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,137,181	\$ 13,028,164
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 404,092	\$ 423,207
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
Property and Equipment Financed with Notes Payable	\$ 95,623	\$ 115,110
Property and Equipment Financed with Capital Leases	-	216,323

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2022**

NOTE 1 - NATURE OF ORGANIZATION

Since 1973, Olive Crest has transformed the lives of over 150,000 abused, neglected, and at-risk children and their families. Olive Crest works tirelessly to meet the individual needs of children in crisis by providing safe homes, counseling, and education for both youth and parents. Olive Crest's many innovative programs reflects its conviction that strengthening the family is one of the most powerful ways to help heal children. With unwavering compassion, the Olive Crest family maintains a lifelong commitment to the youth and families it serves even after they have graduated from Olive Crest's programs.

Established, proven, and respected, Olive Crest serves nearly 4,000 children and families each day throughout California, Nevada, and the Pacific Northwest.

Olive Crest Academy K-12, was founded in 1982. It was organized for the purpose of providing youth educational services, vocational training, and therapy for at-risk children. It receives revenues under government fees and grants for its nonpublic school.

Olive Crest is organized as not-for-profit tax-exempt charitable corporation under Section 501(c)(3) of the Internal Revenue Code. Olive Crest was formed pursuant to the general not-for-profit corporation laws of the State of California.

Over the years, Olive Crest has grown and evolved into a multi-faceted organization that meets the needs of its communities through a full continuum of care to prevent child abuse, treat and educate at-risk children, and preserve the family, "one life at a time®".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Olive Crest and the Olive Crest Abused Children's Foundation (collectively, the Organization). All inter-organization balances and transactions have been eliminated upon consolidation.

(b) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(c) NET ASSETS

Net assets, revenues, gains, and losses are classified 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 available for use in general operations and not subject to donor-imposed restrictions.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **NET ASSETS** (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

(d) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2022 approximates its fair value.

(e) **GRANTS AND CONTRIBUTIONS RECEIVABLE AND REVENUE RECOGNITION**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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 met. Contributions are recorded at fair value, and in the case of pledges, are recorded at the present value of their estimated future cash flows. At June 30, 2022, all contributions were expected to be collected within the next fiscal year, and, as a result, no discount for contributions receivable was recorded. The Organization evaluated the collectability of contributions receivable at June 30, 2022 and has established an allowance for uncollectible contributions receivable in the amount of \$116,368.

The majority of the Organization's revenue is derived from fee-for-service and cost reimbursement grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when the Organization has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. The Organization has elected to adopt a policy whereby donor-restricted contributions, whose restrictions are met in the same reporting period, are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as deferred revenues in the consolidated statement of financial position.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) GRANTS AND CONTRIBUTIONS RECEIVABLE AND REVENUE RECOGNITION
(continued)

The carrying value of receivables, net of the reserve for doubtful accounts, if any, represents their estimated net realizable value. The reserve for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the reserve is adjusted accordingly. Past due balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2022, the Organization has determined all grants receivable balances to be collectible and, as a result, no reserve for uncollectible grants receivable was established, except as disclosed below.

The Organization performs services under a number of contracts that are administered by the Los Angeles and Riverside Counties' Departments of Mental Health (DMH) involving local, state and federal government funds. Contract service payments are generally provided monthly but are subject to approval by various funding agencies. Final settlements with the various funding agencies are taking from one to eight years, with initial findings in many cases not available for three or four years after funding. The Organization does not establish reserves for unexamined years. At June 30, 2022, the Organization established a reserve for disputed claims for examined years in the amount of \$57,548, which is recorded within grants receivable (net) on the consolidated statement of financial position.

The Organization generates revenue from contracts with customers from its special education and other non-public school services. The Organization has master contracts with various school districts for the provision of such services for each individual child. Services are generally billed based on a pre-determined rate by the school district on a per unit of service or per child basis. Revenue from contracts with customers is recognized over time during the period of service when the respective performance obligations are satisfied. Total revenues from special education and other non-public school services were \$8,183,367 during the year ended June 30, 2022, which is included in the government grant revenues in the consolidated statement of activities.

(f) CONCENTRATIONS

The Organization maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) CONCENTRATIONS (continued)

Approximately 79% of the Organization's revenue and support is provided by various government agencies. The Organization anticipates that it will continue to run these programs although there can be no assurance that the Organization will be able to obtain future grant agreements upon the expiration of the current term of the contracts. The entire grants receivable balance of \$8,228,313 at June 30, 2022 is from such government contracts, and as a result, concentration of credit risk with respect to these receivables is limited.

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

The estimated useful lives are as follows:

Buildings and Improvements	25 Years
Furniture and Equipment	5 Years
Leasehold Improvements	5 Years
Vehicles	5 Years
Land	N/A

(h) LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2022.

(i) DEFERRED REVENUES

Grant funds are recognized as revenue in accordance with the term of the grants and when funds are expended for grant purposes. In accordance with the terms of the contracts, these funds are entitled to be retained as a reserve to be used to benefit these programs in future years.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) DEFERRED REVENUES (continued)

Grant revenues received from the Los Angeles County and Riverside County mental health programs provide monthly provisional payments based on units of service. The Organization reconciles provisional payments received to actual costs incurred on a monthly basis. The overpayment reserve account tracks provisional payments received in excess of actual costs incurred.

(j) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by the use of a straight-line method over the term of the related notes payable. Debt issuance costs are netted against the notes payable balance. The amortization of these costs is included in interest expense.

(k) IN-KIND CONTRIBUTIONS

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions of \$1,484,982 were received during the year ended June 30, 2022 that satisfied the criteria for recognition and were used in the Organization's programs and supporting services as reflected in the statement of functional expenses.

For the year ended June 30, 2022, in-kind contributions consist of:

Category	Valuation Methodology	Amount
Household Goods, Clothing, Toys, Hygiene Products and Other Supplies	Wholesale Prices of Identical or Similar Products	\$ 1,484,982
TOTAL		<u>\$ 1,484,982</u>

A substantial number of volunteers have donated significant amounts of their time to the Organization. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) INCOME TAXES

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

During the year ended June 30, 2022, the Organization earned rental income from debt-financed property, which is considered to be unrelated to the Organization's exempt purpose, and any net income earned by the rental property is therefore subject to unrelated business income tax. The rental property generated net income during the year ended June 30, 2022, which is estimated to be offset by the Organization's net operating loss carry-forward on the rental property. Therefore no income tax liability has been recorded in the consolidated financial statements.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 740, *Uncertainty in Income Taxes*, the Organization recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, the Organization performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses proportion of direct salaries to total salaries, time and effort, and square footage as the basis for allocation of indirect costs.

(n) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(p) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Organization, the ASU will be effective for the year ending June 30, 2023.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. Olive Crest implemented this ASU during the year ended June 30, 2022. There was no significant impact to the Organization's consolidated financial statements as a result of the implementation of the ASU. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the ASU.

(q) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through December 22, 2022, the date these consolidated financial statements were available to be issued. On August 17, 2022, the Organization closed escrow on a property in Palm Desert, California, for a total consideration of \$7 million. No other material subsequent events were noted to have occurred.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consist of the following:

PROPERTY AND EQUIPMENT OWNED:

Buildings and Improvements	\$ 16,570,142
Land	6,164,339
Vehicles	2,367,082
Furniture and Equipment	923,980
Leasehold Improvements	316,878
Construction in Progress	204,008

TOTAL 26,546,429

Less: Accumulated Depreciation (11,149,434)

NET PROPERTY AND EQUIPMENT OWNED \$ 15,396,995

**PROPERTY AND EQUIPMENT HELD UNDER
CAPITAL LEASES:**

Furniture and Equipment	\$ 318,888
Less: Accumulated Depreciation	(109,715)

**NET PROPERTY AND EQUIPMENT
HELD UNDER CAPITAL LEASES** 209,173

TOTAL PROPERTY AND EQUIPMENT (NET) \$ 15,606,168

At June 30, 2022, construction in progress represents several ongoing projects with varying remaining costs to complete. Depreciation expense totaled \$1,134,494 for the year ended June 30, 2022.

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consist of the following:

Accrued Payroll	\$ 1,788,167
Accrued Vacation	1,765,835
Other Accrued Liabilities	565,357
TOTAL ACCRUED LIABILITIES	\$ 4,119,359

NOTE 5 - LINE OF CREDIT

The Organization has a revolving line of credit with a bank in the amount of \$5,000,000, which bears interest at the bank's reference rate. The line of credit matures in August 2024. The Organization had no amount outstanding on the line of credit at June 30, 2022 and the bank's reference rate at June 30, 2022 was 5%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 6 - NOTES PAYABLE

Notes payable at June 30, 2022 consist of the following:

Note Payable to Union Bank, Secured by a Deed of Trust on Real Property in Bellflower and Santa Ana, California, Payable in Monthly Payments of Principal and Interest Ranging from \$19,021 to \$20,305, with a Balloon Payment of \$2,642,708 in December 2025, Bearing Interest at 4.3%, Due December 2025. \$ 3,038,578

Note Payable to Union Bank, Secured by a Deed of Trust on Real Property in Riverside, California, Payable in Monthly Payments of Principal and Accrued Unpaid Interest Ranging from \$3,128 to \$3,339, with a Balloon Payment of \$434,566 due in December 2025, Bearing Interest at 4.3%, Due December 2025. 499,663

Note Payable to Union Bank, Secured by a Deed of Trust on Real Property in Bellevue, Washington, Payable in Monthly Payments of Principal and Accrued Unpaid Interest Ranging from \$8,367 to \$8,932, with a Balloon Payment of \$1,162,466 due in December 2025, Interest at 4.3%, Due December 2025. 1,336,599

Note Payable to Union Bank, Secured by a Deed of Trust on Real Property in Garden Grove, California, Payable in Monthly Payments of Principal and Accrued Unpaid Interest Ranging from \$31,182 to \$32,883, Bearing Interest at 5.07%, Due October 2033. 3,337,215

Loans Payable to Toyota Financial Services, Collateralized by Vehicles, Payable in Monthly Payments of Principal and Accrued Unpaid Interest, Maturing at Various Dates through 2025, Bearing Interest at a Rate between 0.0% and 1.9%. 307,990

TOTAL NOTES PAYABLE 8,520,045

Less: Unamortized Capitalized Debt Issuance Costs (49,951)

NOTES PAYABLE (NET) \$ 8,470,094

These notes payable contain various covenants and restrictions including, among others, maintenance of certain financial ratios.

The notes payable to Union Bank have capitalized debt issuance costs of \$91,897, net of accumulated amortization of \$41,946. Amortization of capitalized debt issuance costs during the year ended June 30, 2022 totaled \$7,584.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 6 - NOTES PAYABLE (continued)

Future maturities of notes payable as of June 30, 2022 are as follows:

Years Ending June 30:

2023	\$ 560,291
2024	496,287
2025	472,866
2026	4,582,727
2027	299,239
Thereafter	<u>2,108,635</u>
TOTAL NOTES PAYABLE	<u>\$ 8,520,045</u>

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The Organization leases certain furniture and equipment under capital lease agreements. The capital leases are secured by the assets under lease. The following is a schedule by year of future minimum lease payments for these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2022:

Year Ending June 30:

2023	\$ 94,426
2024	44,597
2025	44,597
2026	<u>37,198</u>
TOTAL MINIMUM LEASE PAYMENTS	220,818
Less: Amount Representing Interest	<u>(5,116)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 215,702</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions and related releases from net assets with donor restrictions consist of the following:

	Net Assets with Donor Restrictions at June 30, 2022	Net Assets Released from Restrictions for the Year Ended June 30, 2022
Subject to Expenditure for Specified Purpose:		
Independent Living	\$ 339,656	\$ 7,746
Foster Parent Recruitment	110,447	-
Other Programs	121,615	19,291
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 571,718	\$ 27,037

NOTE 9 - LEASE ARRANGEMENTS

(a) OPERATING LEASES - LESSEE

The Organization leases various facilities under operating leases with various terms expiring through June 2024. The following is a schedule of future minimum lease payments on non-cancelable operating leases:

Years Ending June 30:

2023	\$ 579,127
2024	10,400
TOTAL	\$ 589,527

Rent expenses under these and other month-to-month facility leases, including those leased for the Organization's clients totaled \$3,013,961 for the year ended June 30, 2022.

(b) OPERATING LEASES - LESSOR

The Organization leases office facilities to several tenants pursuant to lease agreements expiring through June 2023. Rental income totaled \$395,076 for the year ended June 30, 2022 and is included in other income in the consolidated statement of activities. Minimum future rentals to be received on non-cancelable operating leases as of June 30, 2022 are \$33,060, which is expected to be collected during the year ending June 30, 2023.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, the Organization becomes involved in various legal proceedings. Some of these proceedings may result in judgments being assessed against the Organization which, from time to time, may have an impact on changes in net assets. The Organization does not believe that these proceedings individually or in the aggregate, are material to its operations or financial condition.

(b) CONTRACTS

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. 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. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2022:	
Cash and Cash Equivalents	\$ 14,683,851
Grants Receivable (Net)	<u>8,228,313</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 22,912,164</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization is substantially supported by government grants and contracts, which can result in the Organization having to carry significant grants receivable balances. As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, the Organization has a line of credit of \$5,000,000 that it could draw upon. At June 30, 2022, \$5,000,000 was available on this line of credit.

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SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through the State of California			
Foster Care Title IV-E (a)	93.658		\$ 5,646,991
Foster Care Title IV-E (a)	93.658	CJN2121-32/0248.01.01	3,911,881
Foster Care Title IV-E (a)	93.658		3,096
Passed through the State of Nevada			
Foster Care Title IV-E (a)	93.658	604131-16	<u>437,137</u>
Total 93.658			9,999,105
Passed through the County of Los Angeles			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2015-01-07/20-01-02	402,843
Passed through the State of Nevada			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2101NVFPSS	<u>15,680</u>
Total 93.556			418,523
Passed through the State of California			
Transitional Living for Homeless Youth	93.550	0003888	71,738
Passed through the County of Los Angeles			
Transitional Living for Homeless Youth	93.550	13-001-20	204,613
Passed through the County of Orange			
Transitional Living for Homeless Youth	93.550	CCD1120-02	<u>164,137</u>
Total 93.550			440,488
Passed through the State of California			
Community-Based Child Abuse Prevention Grants	93.590	CMK0418	<u>19,247</u>
Total 93.590			19,247

See Independent Auditor's Report

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number	Federal Expenditures
Passed through the State of Washington John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2037XS-12	\$ 444,651
Total 93.674			444,651
Passed through the State of California: Private Adoption Agency Reimbursement Program	93.659		182,118
Total 93.659			182,118
Total U.S. Department of Health and Human Services			11,504,132
U.S. Department of Agriculture			
Passed through the State of California School Breakfast Program	10.553		38,512
National School Lunch Program	10.555		16,276
Total Child Nutrition Cluster			54,788
Total U.S. Department of Agriculture			54,788
TOTAL FEDERAL AWARDS			<u>\$ 11,558,920</u>

(a) Audited as a Major Program

See Independent Auditor's Report

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CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2022

Notes to the Consolidated Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2022

1. Basis of Presentation

Basis of Presentation - The accompanying consolidated schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Awards to Subrecipients

The Organization has not provided any federal awards to subrecipients from the federal expenditures presented in this Schedule.

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