

OLIVE CREST

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

OLIVE CREST
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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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 (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited 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 (the Schedule), as required by Title 2 U.S. Code of Federal Regulations 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 Schedule 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 November 14, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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

November 14, 2023
Los Angeles, California

OLIVE CREST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

With Summarized Totals at June 30, 2022

ASSETS	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,988,935	\$ 15,137,181
Restricted Cash	9,133,937	-
Investments	5,206,357	-
Grants Receivable (Net)	9,538,091	8,228,313
Contributions Receivable (Net)	3,240,472	118,388
Prepaid Expenses and Other Assets	1,522,368	1,333,969
Right-of-Use Assets	842,155	-
Interest Rate Swap	160,875	-
Property and Equipment (Net)	25,462,298	15,606,168
TOTAL ASSETS	<u>\$ 60,095,488</u>	<u>\$ 40,424,019</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 1,360,259	\$ 981,107
Accrued Liabilities	4,773,548	4,335,061
Lease Liabilities	857,421	-
Deferred Revenues	931,470	740,264
Bonds Payable (Net)	20,448,199	-
Notes Payable	172,595	8,470,094
TOTAL LIABILITIES	28,543,492	14,526,526
NET ASSETS:		
Without Donor Restrictions	23,887,143	25,325,775
With Donor Restrictions	7,664,853	571,718
TOTAL NET ASSETS	<u>31,551,996</u>	<u>25,897,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,095,488</u>	<u>\$ 40,424,019</u>

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

OLIVE CREST

CONSOLIDATED STATEMENT OF ACTIVITIES Year Ended June 30, 2023 With Summarized Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
REVENUES:				
Government Grants	\$ 61,059,051	\$ -	\$ 61,059,051	\$ 56,499,638
Contributions	9,991,967	7,415,281	17,407,248	10,965,799
Special Events (Net of Direct Donor Benefits of \$1,617,387)	1,997,355	-	1,997,355	1,589,902
In-Kind Contributions	1,588,917	-	1,588,917	1,484,982
Rental Income	576,109	-	576,109	426,126
Investment Return (Net)	216,456	-	216,456	-
Other Income	395,673	-	395,673	488,312
Net Assets Released from Donor Restrictions	322,146	(322,146)	-	-
TOTAL REVENUES	76,147,674	7,093,135	83,240,809	71,454,759
EXPENSES:				
Program Services	65,522,126	-	65,522,126	58,836,110
Management and General	6,675,507	-	6,675,507	5,385,504
Fundraising	5,388,673	-	5,388,673	3,691,743
TOTAL EXPENSES	77,586,306	-	77,586,306	67,913,357
CHANGE IN NET ASSETS	(1,438,632)	7,093,135	5,654,503	3,541,402
Net Assets - Beginning of Year	25,325,775	571,718	25,897,493	22,356,091
NET ASSETS - END OF YEAR	\$ 23,887,143	\$ 7,664,853	\$ 31,551,996	\$ 25,897,493

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

OLIVE CREST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	Program Services						Supporting Services		Total Supporting Services	Total Expenses	2022 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			
Salaries and Wages	\$ 10,991,874	\$ 2,025,886	\$ 15,488,763	\$ 4,255,518	\$ 4,806,740	\$ 37,568,781	\$ 2,966,109	\$ 2,735,540	\$ 5,701,649	\$ 43,270,430	\$ 37,532,693
Payroll Taxes and Related Costs	847,199	148,841	1,139,945	312,893	364,514	2,813,392	202,484	200,205	402,689	3,216,081	2,763,736
Other Employee Benefits	1,238,336	210,173	1,363,794	447,601	414,288	3,674,192	515,589	212,532	728,121	4,402,313	4,033,428
TOTAL PERSONNEL COSTS	13,077,409	2,384,900	17,992,502	5,016,012	5,585,542	44,056,365	3,684,182	3,148,277	6,832,459	50,888,824	44,329,857
Services and Supplies	6,929,178	490,841	794,427	301,528	952,216	9,468,190	869,970	1,291,527	2,161,497	11,629,687	10,542,483
Facilities	879,217	140,243	751,680	479,662	2,108,961	4,359,763	606,984	74,740	681,724	5,041,487	4,450,705
Professional Fees	176,453	83,652	934,064	219,960	85,251	1,499,380	665,653	626,876	1,292,529	2,791,909	2,197,817
Transportation	424,232	49,323	876,482	306,237	162,954	1,819,228	16,752	42,276	59,028	1,878,256	1,562,626
In-Kind Contributions	801,825	255,459	302,556	44,437	181,403	1,585,680	-	3,237	3,237	1,588,917	1,484,982
Utilities and Telephone	415,403	78,995	310,223	118,733	438,521	1,361,875	214,499	68,909	283,408	1,645,283	1,469,877
Depreciation	372,815	46,623	128,045	372,523	120,552	1,040,558	220,489	35,223	255,712	1,296,270	1,134,494
Interest	56,288	486	3,847	166,149	12,765	239,535	64,714	10,213	74,927	314,462	404,092
Bad Debt	-	-	-	-	-	-	286,703	-	286,703	286,703	91,573
Conferences and Meetings	30,021	6,574	22,016	2,090	30,851	91,552	45,561	87,395	132,956	224,508	244,851
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 23,162,841</u>	<u>\$ 3,537,096</u>	<u>\$ 22,115,842</u>	<u>\$ 7,027,331</u>	<u>\$ 9,679,016</u>	<u>\$ 65,522,126</u>	<u>\$ 6,675,507</u>	<u>\$ 5,388,673</u>	<u>\$ 12,064,180</u>	<u>\$ 77,586,306</u>	
						84%	9%	7%		100%	
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%

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, 2023 With Summarized Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 5,654,503	\$ 3,541,402
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and Unrealized Gains on Investments	(94,799)	-
Provision for Uncollectible Grants and Contributions Receivable	286,703	91,573
Unrealized Gain on Interest Rate Swap	(160,875)	-
Depreciation	1,296,270	1,134,494
Amortization and Write-off of Debt Issuance Costs	52,189	7,584
Contributions Restricted for Property and Equipment	(7,315,481)	-
(Increase) Decrease in:		
Grants Receivable	(1,412,221)	(1,323,444)
Contributions Receivable	334,839	(7,910)
Prepaid Expenses and Other Assets	(188,399)	(343,874)
Right-of-Use Assets	1,208,148	-
Increase (Decrease) in:		
Accounts Payable	379,152	(355,027)
Accrued Liabilities	447,136	345,557
Lease Liabilities	(1,201,531)	-
Deferred Revenues	191,206	23,642
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(523,160)	3,113,997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(5,171,871)	-
Proceeds from Sales of Investments	60,313	-
Purchases of Property and Equipment	(11,152,400)	(411,190)
NET CASH USED IN INVESTING ACTIVITIES	(16,263,958)	(411,190)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Bonds Payable	12,792,910	-
Payments of Debt Issuance Costs	(235,824)	-
Payments on Notes Payable	(458,575)	(593,790)
Proceeds from Contributions for Property and Equipment	3,674,298	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	15,772,809	(593,790)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,014,309)	2,109,017
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	15,137,181	13,028,164
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 14,122,872	\$ 15,137,181

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

OLIVE CREST

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2023 With Summarized Totals for the Year Ended June 30, 2022

	2023	2022
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR		
Cash and Cash Equivalents	\$ 4,988,935	\$ 15,137,181
Restricted Cash	<u>9,133,937</u>	<u>-</u>
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 14,122,872</u></u>	<u><u>\$ 15,137,181</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 314,462	\$ 404,092
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
Property and Equipment Financed with Notes Payable	\$ -	\$ 95,623
Notes Payable Refinanced with Proceeds from Bonds Payable	7,970,590	-
Non-Cash Impact of Implementation of Accounting Standards Update No. 2016-02, <i>Leases (Topic 842)</i>		
Increase in Right-of-Use Assets	2,050,303	-
Increase in Lease Liabilities	2,058,952	-
Derecognition of Deferred Lease Liability	8,649	-

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

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 1 - NATURE OF ORGANIZATION

Since 1973, Olive Crest has transformed the lives of over 200,000 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 reflect 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 over 5,000 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-organizational 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.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund.
- **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 AND RESTRICTED CASH

The Organization considers all highly liquid investments with original maturities at purchase of three months or less, which are neither held nor restricted for long-term purposes, to be cash and cash equivalents. Restricted cash comprises funds held in separate accounts by third parties or cash held by the Organization on behalf of others.

The Organization maintains its cash and cash equivalents and restricted cash in bank deposit and money market 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 cash and cash equivalents.

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) INVESTMENTS (continued)

Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend rate. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the consolidated statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

(f) 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. The Organization evaluated the collectability of contributions receivable at June 30, 2023 based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions and has established an allowance for uncollectible contributions receivable in the amount of \$193,737.

The carrying value of grants receivable, net of the reserve for doubtful accounts, if any, represents their estimated net realizable value. The reserve for doubtful accounts 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, 2023, the Organization has established an allowance for uncollectible grants receivable in the amount of \$234,264.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 grants and contributions that were initially conditional and whose conditions and 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.

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 take from one to eight years, with initial findings in many cases not available for three or four years after funding. The Organization regularly evaluates outstanding balances under such contracts and establishes reserves for potential disallowed amounts as noted above.

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 \$9,157,046 during the year ended June 30, 2023, which is included in the government grant revenues in the consolidated statement of activities.

The Organization leases its facilities under long-term and month-to-month operating leases and recognizes rental income on a straight-line basis over the terms of the respective lease agreements. Unbilled rent receivable or deferred rent revenue are recorded, as appropriate, for the accumulated difference between the cash received and the straight-line rental income.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Organization determines whether the contract contains a lease at its inception based on whether the contract conveys the right to control the use of identified facilities for a period of time in exchange for consideration. The classification of the lease as operating or financing is also determined at the inception of the lease contract. If the provisions of the lease change after lease inception, other than by renewal or extension, the Organization evaluates whether that change may have resulted in a different lease classification had the change been in effect at inception. If so, the revised agreement is considered a new lease for lease classification purposes. The Organization's leases do not contain significant non-lease components.

(g) CONCENTRATIONS AND MARKET RISK

Approximately 73% 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 \$9,538,091 at June 30, 2023 is from such government contracts, and as a result, concentration of credit risk with respect to these receivables is limited.

(h) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Organization recognizes and measures its leases in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. The Organization is a lessee in certain operating leases for facilities. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. The implicit rates of the Organization's leases are not readily determinable and accordingly, the Organization uses the incremental borrowing rate based on the information available at the commencement date of the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(i) INTEREST RATE SWAP

The Organization has interest rate swap agreements in order to manage exposure to interest rate fluctuations and to allow the Organization to effectively lock in fixed interest rates for its bonds payable.

The accounting and reporting standards for derivative instruments and hedging activities require that all derivative instruments be recorded as either assets or liabilities measured at fair value. The interest rate swap is valued separately from its underlying debt and is accounted for using a mark-to-market basis. As marked fixed rates change over time, existing fixed rate swaps become more or less valuable than at inception, resulting in a mark-to-market value which includes either a gain or a loss.

The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The estimated market value of the interest rate swap at June 30, 2023 was computed by the counterparty and includes adjustments to reflect counterparty credit risk and the Organization's non-performance credit risk in estimating the fair value.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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

(k) 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, 2023.

(l) DEBT ISSUANCE COSTS

Debt issuance costs are amortized using the straight-line method over the term of the related notes and bonds payable. Debt issuance costs are netted against the bonds payable balance at June 30, 2023. The amortization of these costs is included in interest expense.

(m) 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) IN-KIND CONTRIBUTIONS (continued)

In-kind contributions of \$1,588,917 were received during the year ended June 30, 2023 that satisfied the criteria for recognition and were used in the Organization's programs and supporting services as reflected in the consolidated statement of functional expenses. Items contributed consisted of household goods, clothing, toys, hygiene products, and other supplies and were valued based on fair values of identical or similar products.

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.

(n) 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, 2023, 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, 2023, 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 FASB ASC 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, 2023, 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.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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.

(q) 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, 2022, from which the summarized information was derived.

(r) RECLASSIFICATIONS

For comparability, certain June 30, 2022 amounts have been reclassified, where appropriate, to conform to the consolidated financial statement presentation used at June 30, 2023.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position, the assets and liabilities for the rights and obligations created by those leases. The ASU also requires disclosures to help consolidated 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 combined financial statements. The ASU is effective for fiscal years beginning after December 15, 2021.

The Organization adopted the ASU with a date of the initial application of July 1, 2022 using the optional transition method which allows entities to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption. The Organization elected to apply the following package of practical expedients on a consistent basis permitting entities not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of ROU assets and lease liabilities on the consolidated statement of financial position for all leases previously classified as operating leases. The Organization recognized \$2,050,303 of ROU assets and \$2,058,952 of related lease liabilities as of July 1, 2022 for contracts that are classified as operating leases. The Organization also adjusted \$8,649 of deferred rent liability against the ROU assets at July 1, 2022. Leases with an initial term of 12 months or less have not been recorded on the consolidated statement of financial position.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For the Organization, the ASU and the subsequent amendments will be effective for the year ending June 30, 2024, and are expected to be adopted using the modified-retrospective approach.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through November 14, 2023, the date these consolidated financial statements were available to be issued. No such material subsequent events were noted to have occurred.

NOTE 3 - RESTRICTED CASH

Restricted cash totaling \$8,766,506 at June 30, 2023 comprises undistributed bond proceeds contractually restricted for certain building project costs pursuant to bonds payable agreements.

In addition, the Organization maintains savings accounts on behalf of its clients totaling \$367,431 at June 30, 2023.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has implemented the accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Organization's investments that are measured at fair value on a recurring basis at June 30, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and Cash Equivalents	\$ 345,580	\$ 345,580	\$ -	\$ -
Government Bonds	721,932	-	721,932	-
Corporate Bonds	227,944	-	227,944	-
Mutual Funds	796,190	796,190	-	-
Equities and Exchange-Traded Funds	3,114,711	3,114,711	-	-
TOTAL INVESTMENTS	\$ 5,206,357	\$ 4,256,481	\$ 949,876	\$ -

The fair values of marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year. The fair values of government and corporate bonds within Level 2 were based on independent pricing services and spreads sourced from brokers/dealers, trade prices, and the new issues market.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2023 consist of the following:

Amounts Due:	
In Less Than One Year	\$ 1,151,925
In Two to Five Years	2,368,405
In More Than Five Years	<u>146,360</u>
TOTAL CONTRIBUTIONS RECEIVABLE - GROSS	3,666,690
Less: Present Value Discount	(232,481)
Less: Allowance for Doubtful Contributions Receivable	<u>(193,737)</u>
TOTAL CONTRIBUTIONS RECEIVABLE (NET)	\$ 3,240,472

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consist of the following:

Buildings and Improvements	\$ 23,359,186
Land	9,841,599
Vehicles	2,391,840
Furniture and Equipment	1,271,547
Leasehold Improvements	316,878
Construction in Progress	<u>713,819</u>
TOTAL	37,894,869
Less: Accumulated Depreciation	<u>(12,432,571)</u>
PROPERTY AND EQUIPMENT (NET)	<u><u>\$ 25,462,298</u></u>

At June 30, 2023, construction in progress represents several ongoing projects with varying remaining costs to complete. Depreciation expense totaled \$1,296,270 for the year ended June 30, 2023.

NOTE 7 - LINE OF CREDIT

The Organization had a revolving line of credit with a bank in the amount of \$5,000,000, which bears interest at the bank's reference rate. This line of credit was paid off and closed on March 31, 2023.

A new line of credit with a bank in the amount of \$5,000,000 which bears interest at the bank's reference rate was opened on April 3, 2023. The line of credit matures in April 2024. The Organization had no amount outstanding on the line of credit at June 30, 2023, and the bank's reference rate at June 30, 2023 was 7.31%.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 8 - BONDS PAYABLE AND INTEREST RATE SWAP

(a) BONDS PAYABLE

Bonds payable at June 30, 2023 consist of the following:

\$12,463,500 Bonds Payable, Issued through California Infrastructure and Economic Development Bank, Secured by Multiple Deeds of Trust of Real Property, Payable in Monthly Payments of Principal and Accrued Unpaid Interest at a Rate Equal to the Sum of 1.16% plus 77% of the Compounded SOFR (5.09% at June 30, 2023), maturing on April 1, 2048. \$ 12,411,839

\$8,300,000 Bonds Payable, Issued through California Infrastructure and Economic Development Bank, Secured by Multiple Deeds of Trust of Real Property, Payable in Monthly Payments of Principal and Accrued Unpaid Interest at a Rate Equal to the Sum of 1.50% plus the Compounded SOFR (5.09% at June 30, 2023), maturing on April 1, 2048. 8,269,826

TOTAL BONDS PAYABLE 20,681,665

Less: Unamortized Bonds Issuance Costs (233,466)

BONDS PAYABLE (NET) \$ 20,448,199

Under the terms of the bond agreements, the Organization is subject to certain financial covenants including the quick ratio and the debt service coverage ratio minimums. As of June 30, 2023, the Organization was in compliance with these covenants.

At June 30, 2023, the bonds' mandatory redemption requirements are as follows:

Years Ending June 30:

2024	\$ 514,713
2025	498,057
2026	519,953
2027	542,758
2028	560,136
Thereafter	18,046,048
TOTAL BONDS PAYABLE	\$ 20,681,665

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 8 - BONDS PAYABLE AND INTEREST RATE SWAP (continued)

(b) INTEREST RATE SWAP

The Organization has interest rate swap agreements related to its bonds payable with an aggregate notional amount of \$20,763,500 and termination date of April 1, 2033. Under the terms of these agreements, the Organization agrees to pay the bank a fixed amount of interest and receive variable amounts of interest at specified rates over the life of the agreements.

The interest rate swaps outstanding as of June 30, 2023 are as follows:

	Swap #1	Swap #2
Fixed Interest Paid at	4.90%	3.86%
Floating Interest Received at	1.50% + SOFR	1.16% + 77% of SOFR

The Organization recognized a gain on interest rate swap totaling \$160,875 during the year ended June 30, 2023, which is included in other income in the consolidated statement of activities.

(c) BOND ISSUANCE COSTS

The Organization amortizes its bond issuance costs using the straight-line method over the term of the related debt. At June 30, 2023, the capitalized bonds issuance costs consisted of the following:

Bonds Issuance Costs	\$ 235,824
Accumulated Amortization	<u>(2,358)</u>
UNAMORTIZED BOND ISSUANCE COSTS	<u>\$ 233,466</u>

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 9 - NOTES PAYABLE

Notes payable consist of the loans payable to Toyota Financial Services totaling \$172,595 at June 30, 2023. Notes are payable are collateralized by the related vehicles and are payable in monthly payments of principal and accrued unpaid interest with various dates of maturity through 2028. Notes payable bear interest at rates between 0.0% and 1.9%. Future maturities of notes payable as of June 30, 2023 are as follows:

Years Ending June 30:

2024	\$	87,604
2025		48,591
2026		23,864
2027		7,535
2028		5,001
TOTAL NOTES PAYABLE	\$	172,595

NOTE 10 - LEASE ARRANGEMENTS

(a) OPERATING LEASES - LESSEE

The Organization leases a number of facilities, which are accounted for as operating leases. The operating leases expire at various dates ranging from June 30, 2023 to March 31, 2026. Some of these leases have renewal options. The exercise of lease renewal options is at the Organization's discretion. The Organization has chosen to include the renewal term in the calculation of the ROU asset and related lease liability when such renewals are reasonably certain of being exercised. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the consolidated statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. As of June 30, 2023, the Organization recognized \$842,155 of ROU assets and \$857,421 of related lease liabilities for contracts that are classified as operating leases.

Lease cost was as follows for the year ended June 30, 2023:

Operating Lease Cost:	\$	1,276,812
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As of June 30, 2023, the weighted average remaining lease terms of operating leases are approximately 1.49 years. The weighted average discount rates used to determine the lease liabilities as of June 30, 2023 for the operating leases were approximately 4.9% which represents the incremental borrowing rate for the Organization.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 10 - LEASE ARRANGEMENTS (continued)

(a) OPERATING LEASES - LESSEE (continued)

Maturities of lease liabilities in future years are as follows:

Years Ending June 30	Operating Leases
2024	\$ 494,591
2025	216,346
2026	149,867
2027	27,127
TOTAL FUTURE LEASE PAYMENTS	887,931
Less: Imputed Interest	(30,510)
TOTAL LEASE LIABILITIES	<u>\$ 857,421</u>

(b) OPERATING LEASES - LESSOR

The Organization leases office facilities to several tenants pursuant to lease agreements classified as operating leases expiring through September 2025. Rental income totaled \$576,109 for the year ended June 30, 2023. Minimum future rental payments to be received on non-cancelable operating leases as of June 30, 2023 are \$306,188, of which \$144,012 is expected to be collected during the year ended June 30, 2024 and \$162,176 is expected to be collected in the next two to five years. The underlying assets associated with the lease, which are held within property and equipment amount to \$2,023,655, net of depreciation.

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2023:

Undesignated	\$ 18,690,695
Board Designated Endowment Fund:	<u>5,196,448</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 23,887,143</u>

The Board of Directors of the Organization (the Board) has designated, from net assets without donor restrictions, certain funds for a Board designated endowment fund for reserves and future operating needs.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 12 - 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, 2023	Net Assets Released from Restrictions for the Year Ended June 30, 2023
Subject to Expenditure for Specified Purpose:		
Independent Living	\$ 321,470	\$ 93,486
Foster Parent Recruitment	-	110,447
Capital Campaigns	7,315,481	-
Other Programs	27,902	118,213
TOTAL	\$ 7,664,853	\$ 322,146

NOTE 13 - BOARD DESIGNATED ENDOWMENT

The Board has established a Board-designated endowment, which is included in net assets without donor restrictions.

Return Objectives and Risk Parameters - It is the purpose of the Organization's endowment fund to secure the future of the Organization and to support its programs and operations as designated by the Board.

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for the Organization's annual operating needs.

The primary investment objective of the endowment is to earn an average annual return of 5% after inflation over a full market cycle (typically three to five years) among three diversified asset classes. The Organization considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 13 - BOARD DESIGNATED ENDOWMENT (continued)

Strategies Employed for Achieving Objectives - The Organization manages its endowment on a total rate of return basis consisting of dividends, interest, and changes in market value of securities for the fiscal year, not favoring returns from one source over another. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has a policy governing the amount of endowment earnings that can be released annually for spending. The spending policy authorizes an annual distribution equal to 5% of the average market value of the portfolio as of June 30 for the preceding three years which will help to even out any fluctuations that may occur in the value of the account.

In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an amount that will at least keep pace with expected inflation.

Changes in Endowment Net Assets	Net Assets Without Donor Restrictions
Endowment Net Assets - July 1, 2022	\$ -
Contributions	5,000,000
Investment Return (Net)	196,448
ENDOWMENT NET ASSETS AT JUNE 30, 2023	\$ 5,196,448

NOTE 14 - 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.

OLIVE CREST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2023

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

(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 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at June 30, 2023 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, 2023:	
Cash and Cash Equivalents	\$ 574,463
Grants Receivable (Net)	<u>9,538,091</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 10,112,554</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, 2023, \$5,000,000 was available on this line of credit. In addition, the Organization could also draw upon its board-designated endowment fund.

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SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

OLIVE CREST

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2023

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		\$ 6,069,984
Foster Care Title IV-E (a)	93.658	CJN2121-32/0248.01.01	3,123,766
Foster Care Title IV-E (a)	93.658		3,743
Passed through the State of Nevada			
Foster Care Title IV-E (a)	93.658	604131-16	413,526
Total 93.658			9,611,019
Passed through the County of Los Angeles			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2015-01-07/20-01-02	441,889
Passed through the State of Nevada			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2101NVFPSS	14,023
Total 93.556			455,912
Passed through the State of California			
Transitional Living for Homeless Youth	93.550	0003888	67,173
Passed through the County of Los Angeles			
Transitional Living for Homeless Youth	93.550	13-001-20	214,458
Passed through the County of Orange			
Transitional Living for Homeless Youth	93.550	CCD1120-02	168,972
Total 93.550			450,603
Passed through the State of California			
Community-Based Child Abuse Prevention Grants	93.590	CMK0418	19,557
Total 93.590			19,557

See Independent Auditor's Report

OLIVE CREST

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

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	\$ 583,642
Total 93.674			583,642
Passed through the State of California:			
Private Adoption Agency Reimbursement Program	93.659		150,800
Total 93.659			150,800
Total U.S. Department of Health and Human Services			11,271,533
U.S. Department of Agriculture			
Passed through the State of California			
School Breakfast Program	10.553		19,366
National School Lunch Program	10.555		6,347
Total Child Nutrition Cluster			25,713
Total U.S. Department of Agriculture			25,713
TOTAL FEDERAL AWARDS			\$ 11,297,246

(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, 2023**

Notes to the Consolidated Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2023

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, 2023. 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.

See Independent Auditor's Report