

D'VEAL CORPORATION  
(DBA D'VEAL FAMILY & YOUTH SERVICES)

FINANCIAL STATEMENTS

JUNE 30, 2019



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D'VEAL CORPORATION

BOARD OF DIRECTORS

JUNE 30, 2019

Board of Directors:

Chief Executive Officer- John T. McCall

Chief Operational Officer- Ronald Mills

Chief Financial Officer- Jay Choi

Secretary- Joe E. Brown

Treasurer- Chris Kibodeaux

Board Member- Larry Robertson

Assistant Secretary- Othella Seavers

Board President- Charlene Vega





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## Independent Auditor's Report

To the Board of Directors  
D'Veal Corporation  
Pasadena, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of D'Veal Corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D'Veal Corporation (dba D'Veal Family & Youth Services) as of June 30, 2019, 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.

### ***Other Matters***

#### ***Other Information***

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

### ***Other Reporting Required by Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019, on our consideration of D'Veal Corporation's (dba D'Veal Family & Youth Services) 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 D'Veal Corporation's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the organization's management, and the Los Angeles County Department of Mental Health and is not intended to be, and should not be, used by anyone other than these specified parties.

**Anthony Apodaca Accountancy Corporation**

Monrovia, California  
September 11, 2019



D'VEAL CORPORATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current assets:

Cash	\$ 1,355,046	
Accounts receivable	541,811	
Prepaid expense	134,926	
Deposits	30,295	
Total current assets		\$ 2,062,078

Property and equipment

Equipment	146,546.00	
Less accumulated depreciation	(117,422.00)	
		29,124

Total assets		\$ 2,091,202
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 69,318	
Accrued liabilities	1,589,419	
Total current liabilities		\$ 1,658,737

Net assets

Without donor restrictions		432,465
Total liabilities and net assets		\$ 2,091,202

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



D'VEAL CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating activities</u>			
Program service	\$ 8,792,836	\$ -	\$ 8,792,836
Contributions	95,729	-	95,729
Other income	28,194	-	28,194
Total revenue and support	8,916,759	-	8,916,759
<u>Expenses:</u>			
Program services	7,721,032	-	7,721,032
Administrative and General	1,082,366	-	1,082,366
Total expenses	8,803,398	-	8,803,398
Change in net assets from operations	113,361	-	113,361
Net deficiency in net assets, beginning of year	319,104	-	319,104
Net deficiency in net assets, end of year	\$ 432,465	\$ -	\$ 432,465

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



D'VEAL CORPORATION  
DBA D'VEAL FAMILY & YOUTH SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Salaries	\$ 5,095,080	\$ 694,300	5,789,380
Employee benefits	1,017,932	139,205	1,157,137
Total personnel costs	6,113,012	833,505	6,946,517
Facility	417,967	130,763	548,730
Professional Fees	299,720	68,159	367,879
Program Admin Sharing	365,455	-	365,455
Information Technology	127,455	8,728	136,183
Transportation	91,451	1,647	93,098
Staff Development	152,119	16,061	168,180
Client Direct Cost	64,440	3,116	67,556
Office and General Operation	86,082	17,630	103,712
Other Non-labor	3,331	2,757	6,088
Total	<u>\$ 7,721,032</u>	<u>\$ 1,082,366</u>	<u>\$ 8,803,398</u>

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



D'VEAL CORPORATION  
DBA D'VEAL FAMILY & YOUTH SERVICES  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 113,361
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,044
Increase (decrease) in cash due to changes in operating assets and liabilities:	
Accounts receivable	46,728
Prepaid expense	(48,159)
Accounts payable/ accrual	16,738
Accrued liabilities	208,642
Net cash provided by operating activities	<u>362,354</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of fixed assets	<u>(6,233)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in cash	356,121
Cash at beginning of year	<u>998,925</u>
Cash at end of year	<u>\$ 1,355,046</u>

Supplemental cashflow information:

Cash paid for interest during the year	<u>\$ 1,323</u>
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The accompanying notes are an integral part of these financial statements.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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1. Organization

D'Veal Corporation (DBA D'Veal Family & Youth Services) ("D'Veal") is a nonprofit public benefit corporation organized in the State of California. D'Veal was formed for the specific purpose of providing social services throughout the Pasadena, Altadena, and San Gabriel Valley areas. The goal of D'Veal is to develop programs for "at-risk" youth and offer consultant services to agencies currently providing services to "at-risk" youth.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

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

Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At this time there are no assets with donor restrictions.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Non-Profit Organization, Inc.'s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Non-Profit Organization, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Costs of providing D'Veal's programs and other activities have been presented in the 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 which best measures the relative degree of benefit. D'Veal uses full-time equivalent ("FTE") to allocate indirect costs.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Management Fee	Time and Effort
Salaries and benefits	Time and Effort
Occupancy/utilities	Square Footage
Professional services	Full Time Equivalent
Depreciation	Square Footage
Other	Time and effort

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Management considers account receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Concentration of Credit Risk

D'Veal places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000. At June 30, 2019 the total amount on deposit at one bank exceeded the FDIC insurance limit by \$896,000. D'Veal has not incurred losses related to these investments.

The carrying amount of cash approximate fair value.

The primary receivable balance outstanding at June 30, 2019, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to trade receivables is limited, as the majority of D'Veal's receivables consist of earned fees from contract programs granted by governmental agencies.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (continued)

Property and Equipment

A fixed asset is any tangible asset purchased for use in the day-to-day operations of the Organization from which an economic benefit will be derived over a period greater than one year. Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Fixed assets include items of property and equipment such as leasehold improvements, office furniture, fixtures, computers and other related technology equipment. At the time a fixed asset is acquired, its cost is capitalized unless it has a value of \$5,000 or less, and an estimated useful life of 12 months or less in which case the asset is expensed in the period acquired. Management will periodically review these levels and make any modifications necessary. Property and equipment are capitalized at cost. Property and equipment will be depreciated using the straight-line method over useful lives ranging from five to 15 years.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2019, D'Veal did not receive donations of materials or services that satisfy the criteria for recognition.

Income Taxes

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

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by D'Veal in its federal and state tax-exempt organization tax returns are more likely than not to be sustained upon examination. D'Veal's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through September 11, 2019, the date which the financial statements were available for issue. No events or transactions have occurred, during this period, that appear to require recognition or disclosure in the financial statements.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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3. Property and Equipment

Property and equipment at June 30, 2019, consist of the following:

<u>Asset</u>	<u>Estimated lives</u>	
Furniture and equipment	5 years	\$ 6,234
Leasehold improvements	15 years	122,162
Software	5 years	<u>18,150</u>
		146,546
Less: accumulated depreciation		<u>(117,422)</u>
		<u>\$ 29,124</u>

Depreciation expense for the year ended June 30, 2019, was \$25,044.

4. Accrued Liabilities

Accrued liabilities at June 30, 2019, consist of the following:

Due to DMH	\$ 1,160,307
Accrued vacation	181,780
Accrued payroll	229,700
Accrued payroll taxes	<u>17,632</u>
	<u>\$ 1,589,419</u>

5. Commitments and contingencies

Obligations Under Operating Leases

D'Veal leases various facilities, equipment, and vehicles under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30</u>	
2020	542,320
2021	552,889
2022	443,472
2023	<u>168,412</u>
	<u>\$1,707,093</u>

Rent expenses for the year ended June 30, 2019 was \$459,050.

Contracts

D'Veal'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 and, accordingly, D'Veal has no provision for the possible disallowance of program costs on its financial statement.



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)

NOTES TO FINANCIAL STATEMENTS

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6. Program Service Fees from Government Agencies

Program service fees from government agencies for the year ended June 30, 2019, consist of the following:

Mental Health	\$8,264,240
Wraparound	473,596
Prototypes	<u>55,000</u>
	<u>\$8,792,836</u>

7. Employee Benefit Plan

D'Veal has a defined contribution retirement plan for its employees who have attained twenty-one years of age, work twenty or more hours per week, and have completed one year of service. D'Veal funded base contributions equal to 5% of eligible participant's annual compensation plus an employer matching contribution of 100% of each employee's contribution up to a maximum of 3% of annual compensation. Pension plan expense for the year ended June 30, 2019, was \$318,069.

8. Related Party Transactions

D'Veal leases office space from Bethel Missionary Baptist Church. The Chief Executive Officer of D'Veal is also the Pastor of Bethel Missionary Baptist Church. For the year ended June 30, 2019, total amount of lease payments to Bethel Missionary Baptist Church was \$41,728.

9. Assets available for expenditures

The following reflects D'Veal financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,896,857</u>
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D'VEAL CORPORATION

(DBA D'VEAL FAMILY & YOUTH SERVICES)

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA No.</u>	<u>Government Revenue</u>		<u>Program Expenditures</u>
			<u>Federal</u>	<u>Non-Federal</u>	
<b>Federal Awards</b>					
Department of Health and Human Services Pass-through, County of Los Angeles Department of Mental Health:					
Medical Assistance Program (a)	MH 121122	93.778	\$ 4,297,404	\$ 3,966,835	\$ 8,264,239
California State Department of Social Services:					
Pass-through, County of Los Angeles Department of Children and Family Services					
Foster Care Title IV-E Wraparound	12-1515	93.658	<u>146,815</u>	<u>326,782</u>	<u>473,597</u>
Total federal awards			<u>4,444,219</u>	<u>4,293,617</u>	<u>8,737,836</u>
<b>Non-federal Awards</b>					
Prevention Initiative Demonstration Project Activities/Services	N/A	N/A		55,000	55,000
County of Los Angeles Department of Mental Health					
IT Grant – Technological Needs Projects	MH10078	N/A		0	0
County of Los Angeles Probation Department		N/A		0	0
Total non-federal awards				<u>55,000</u>	<u>55,000</u>
Total federal and non-federal awards			<u>\$ 4,444,219</u>	<u>\$ 4,348,617</u>	<u>\$ 8,792,836</u>

(a) Audited as a major program

Note - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal and non-federal awards activity of D'Veal Corporation. The information in this schedule is presented in accordance with the 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)*. Because the schedule presents only a selected portion of the operations of D'Veal Corporation, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of D'Veal Corporation.



D'VEAL CORPORATION

(DBA D'VEAL FAMILY & YOUTH SERVICES)

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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

D'Veal is exempt from income taxation under Internal Revenue Code section 501(c)(3) and California Revenue Taxation Code Section 23701d.



ANTHONY APODACA ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

To the Board of Directors  
D'Veal Corporation  
Pasadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of D'Veal Corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2019.

Internal Control over Financial Reporting:

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

This report is intended solely for the information and use of the project's board of directors, and the Los Angeles Department of Mental Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Anthony Apodaca Accountancy Corporation

Monrovia, California  
September 11, 2019



ANTHONY APODACA ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

To the Board of Directors  
D'Veal Corporation  
Pasadena, California

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

We have audited D'Veal Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of D'Veal Corporation's major federal programs for the year ended June 30, 2019. D'Veal Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of D'Veal Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about D'Veal Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of D'Veal Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, D'Veal Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



## Report on Internal Control over Compliance

Management of D'Veal Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered D'Veal Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of D'Veal Corporation's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the project's board of directors, and the Los Angeles Department of Mental Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Anthony Apodaca Accountancy Corporation

Monrovia, California  
September 11, 2019



D'VEAL CORPORATION  
(DBA D'VEAL FAMILY AND YOUTH SERVICES)  
Schedule of Finding and Questioned Costs  
For the Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified No

Significant deficiencies identified None reported

Noncompliance material to financial statements noted No

Federal Awards:

Internal control over major programs:

Material weaknesses identified No

Significant deficiencies identified None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Uniform Guidance No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee Yes

Identification of Major Programs:

Department of Health and Human Services:

Medical Assistance Program 93.778

Section II — Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III — Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal awards as defined under Uniform Guidance.

Section IV — Summary Schedule of Prior Year Findings

There are no prior year findings.