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

FINANCIAL STATEMENTS

JUNE 30, 2021

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D'VEAL CORPORATION

BOARD OF DIRECTORS

JUNE 30, 2021

Board of Directors:

Chief Executive Officer- John T. McCall

Chief Operational Officer- Ronald Mills

Chief Financial Officer- David Gaffield

Board President- Charlene Vega

Board Secretary- Joe E. Brown

Board Treasurer- Chris Kibodeaux

Board Member- Larry Robertson

Assistant Secretary- Othella Seavers



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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, 2021, 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, 2021, 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***

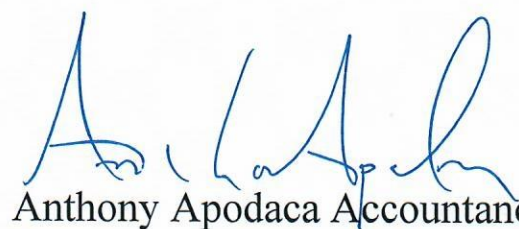
### ***Other Information***

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 October 21, 2021, 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

October 21, 2021

# D'VEAL CORPORATION

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

### ASSETS

Current assets:

|                      |              |              |
|----------------------|--------------|--------------|
| Cash                 | \$ 1,315,276 |              |
| Accounts receivable  | 744,705      |              |
| Prepaid expense      | 49,519       |              |
| Deposits             | 30,295       |              |
|                      |              |              |
| Total current assets |              | \$ 2,139,795 |

Property and equipment

|                               |           |       |
|-------------------------------|-----------|-------|
| Equipment                     | 153,979   |       |
| Less accumulated depreciation | (147,037) |       |
|                               |           |       |
|                               |           | 6,942 |

|              |  |              |
|--------------|--|--------------|
| Total assets |  | \$ 2,146,737 |
|--------------|--|--------------|

### LIABILITIES AND NET ASSETS

Current liabilities:

|                                       |            |              |
|---------------------------------------|------------|--------------|
| Accrued liabilities                   | \$ 370,294 |              |
| SBA conditional contribution PPP loan | 1,198,000  |              |
|                                       |            |              |
| Total current liabilities             |            | \$ 1,568,294 |

Commitments

Net assets

|                            |  |         |
|----------------------------|--|---------|
| Without donor restrictions |  | 578,443 |
|                            |  |         |

|                                  |  |              |
|----------------------------------|--|--------------|
| Total liabilities and net assets |  | \$ 2,146,737 |
|----------------------------------|--|--------------|

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

D'VEAL CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

|                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|--------------------------------------|-------------------------------|----------------------------|--------------|
| <u>Operating activities</u>          |                               |                            |              |
| Program service                      | \$ 8,985,459                  | \$ -                       | \$ 8,985,459 |
| Contributions                        | 138,879                       | -                          | 138,879      |
| Other income                         | 4,980                         | -                          | 4,980        |
| Total revenue and support            | 9,129,318                     | -                          | 9,129,318    |
| <u>Expenses:</u>                     |                               |                            |              |
| Program services                     | 7,836,146                     | -                          | 7,836,146    |
| Administrative and General           | 1,165,562                     | -                          | 1,165,562    |
| Total expenses                       | 9,001,708                     | -                          | 9,001,708    |
| Change in net assets from operations | 127,610                       | -                          | 127,610      |
| Net beginning of year                | 450,833                       | -                          | 450,833      |
| Net assets, end of year              | \$ 578,443                    | \$ -                       | \$ 578,443   |

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, 2021

|                              | Program<br>Services         | Management<br>and General   | Total                       |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Salaries                     | \$ 5,115,211                | \$ 736,896                  | 5,852,107                   |
| Employee benefits            | 1,119,054                   | 161,281                     | 1,280,335                   |
| Total personnel costs        | 6,234,265                   | 898,177                     | 7,132,442                   |
| Facility                     | 484,353                     | 162,729                     | 647,082                     |
| Professional Fees            | 484,025                     | 76,289                      | 560,314                     |
| Program Admin Sharing        | 336,615                     | -                           | 336,615                     |
| Information Technology       | 96,030                      | 1,402                       | 97,432                      |
| Transportation               | 4,343                       | 494                         | 4,837                       |
| Staff Development            | 55,857                      | 12,684                      | 68,541                      |
| Client Direct Cost           | 98,005                      | 5,367                       | 103,372                     |
| Office and General Operation | 37,642                      | 5,180                       | 42,822                      |
| Other Non-labor              | 5,011                       | 3,240                       | 8,251                       |
|                              | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total                        | <u>\$ 7,836,146</u>         | <u>\$ 1,165,562</u>         | <u>\$ 9,001,708</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

|                                                                                            |                  |
|--------------------------------------------------------------------------------------------|------------------|
| Change in net assets                                                                       | \$ 127,610       |
| Adjustments to reconcile change in net assets to net cash used<br>in operating activities: |                  |
| Depreciation                                                                               | 3,954            |
| Increase (decrease) in cash due to changes in operating<br>assets and liabilities:         |                  |
| Accounts receivable                                                                        | (786,080)        |
| Prepaid expense                                                                            | (6,851)          |
| Accounts payable/ accrual                                                                  | -                |
| Accrued liabilities                                                                        | 63,072           |
| Net cash used in operating activities                                                      | <u>(598,295)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

|                             |                |
|-----------------------------|----------------|
| Acquisition of fixed assets | <u>(7,433)</u> |
|-----------------------------|----------------|

CASH FLOWS FROM FINANCING ACTIVITIES

|                                       |           |
|---------------------------------------|-----------|
| Net cash used in financing activities | <u>-</u>  |
| Net decrease in cash                  | (605,728) |

|                           |                  |
|---------------------------|------------------|
| Cash at beginning of year | <u>1,921,004</u> |
|---------------------------|------------------|

|                     |                            |
|---------------------|----------------------------|
| Cash at end of year | <u><u>\$ 1,315,276</u></u> |
|---------------------|----------------------------|

Supplemental cashflow information:

|                                        |                        |
|----------------------------------------|------------------------|
| Cash paid for interest during the year | <u><u>\$ 3,141</u></u> |
|----------------------------------------|------------------------|

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

NOTES TO FINANCIAL STATEMENTS

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

The summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

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

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

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> |
|-----------------------|-----------------------------|
| Salaries and benefits | Time and Effort             |
| Occupancy/utilities   | Square Footage              |
| Professional services | Full Time Equivalent        |
| Depreciation          | Square Footage              |
| Other                 | Time and effort             |

Property and Equipment (Capitalization Policy):

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 10 years.

Property, Equipment and Depreciation:

The investment in residential rental property is stated at cost and will be depreciated using the straight-line method over the estimated lives of the assets. The estimated lives are as follows:

| <u>Asset</u>            | <u>Estimated lives</u> |
|-------------------------|------------------------|
| Furniture and equipment | 5 –10 years            |

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/Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Property and Casualty Insurance:

The Organization maintains various insurance policies under which it assumes a portion of each insured loss.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash balances.

The Organization's operations are concentrated in mental health services. The operations of the Organization are subject to the administrative directive, rules and regulations of Los Angeles County Department of Mental Health agencies. Such administrative directives, rules and regulations are subject to change by an act of the California State legislature or an administrative change mandated by Los Angeles Department of Mental Health. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change. The Organization receives 94% of revenue from one source.

D'Veal places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may exceed the Federal Deposit Insurance Corporation insurance limit of \$250,000. At June 30, 2021, the total amount on deposit at one bank exceeded the FDIC insurance limit by \$409,996. D'Veal has not incurred losses related to these investments.

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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization under Section 501(c) (3) of the Internal Revenue Code and under Section 23701(d) of the State of California Revenue and Taxation Code; therefore, the Organization is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements.

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)

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 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.

Cash and cash equivalents:

Cash is comprised of cash in operating bank accounts.

For purposes of the statement of cash flows, the Organization considers all highly liquid Investments, with maturity of three months or less when purchased, to be cash equivalents. At June 30, 2021, there are no cash equivalents.

The carrying amount of cash and restricted cash approximate their fair values.

Revenues Recognition:

Operating revenues consist primarily of mental health services and related services provided to at-risk youths. Revenues are recognized as services are provided.

Accounts Receivable:

Accounts receivable are receivables from Los Angeles County Department of Mental Health agencies. Management considers account receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

The primary receivable balance outstanding at June 30, 2021, consists of government contract receivables due from county 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)

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NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

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, 2021, D'Veal did not receive donations of materials or services that satisfy the criteria for recognition.

Subsequent Events

Management has evaluated subsequent events through October 21, 2021, 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.

3. Property and equipment

Property and equipment at June 30, 2021, consist of the following:

| <u>Asset</u>                   | <u>Estimated lives</u> |                  |
|--------------------------------|------------------------|------------------|
| Furniture and equipment        | 5 years                | \$ 13,667        |
| Leasehold improvements         | 15 years               | 122,162          |
| Software                       | 5 years                | <u>18,150</u>    |
|                                |                        | 153,979          |
| Less: accumulated depreciation |                        | <u>(147,037)</u> |
|                                |                        | <u>\$ 6,942</u>  |

Depreciation expense for the year ended June 30, 2021, was \$3,954.

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

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NOTES TO FINANCIAL STATEMENTS

4. Accrued Liabilities

Accrued liabilities at June 30, 2021, consist of the following:

|                       |                   |
|-----------------------|-------------------|
| Accrued vacation      | \$ 237,272        |
| Accrued payroll       | 69,807            |
| Accounts payable      | 43,126            |
| Accrued payroll taxes | <u>20,089</u>     |
|                       | <u>\$ 370,294</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> |                    |
|---------------------------|--------------------|
| 2022                      | 556,500            |
| 2023                      | 567,500            |
| 2024                      | 579,000            |
| 2025                      | 590,000            |
| 2026                      | <u>602,500</u>     |
|                           | <u>\$2,895,500</u> |

Rent expenses for the year ended June 30, 2021 was \$545,786.

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, 2021, consist of the following:

|                     |                    |
|---------------------|--------------------|
| Mental Health       | \$8,463,334        |
| Family Preservation | 497,129            |
| Prototypes          | <u>24,996</u>      |
|                     | <u>\$8,985,459</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, 2021, was \$379,824.

8. Functional Allocation of Expenses:

Expenditures incurred in connection with project operations have been summarized on a functional basis on the statement of activities.

9. 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, 2021, total amount of lease payments to Bethel Missionary Baptist Church was \$21,600.

10. Assets available for expenditures

The following reflects D'Veal's financial assets as of the balance sheet date and includes \$250,000 which are funds received as part of Paycheck Protection Program ("PPP"), see Note 12. Management anticipates these funds will be forgiven pursuant to the PPP Forgiveness application process. As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

|                           |                |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 1,315,276   |
| Accounts Receivables      | <u>744,705</u> |

Total Financial Assets at June 30, 2021 \$ 2,059,981

Less Amounts Not Available to Be Used  
within One Year, Due to:

Accounts Receivable in Settlement Process: ( 92,796)

Financial assets available to meet cash needs for general expenditures within one year \$1,967,185.

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

NOTES TO FINANCIAL STATEMENTS

10. Assets available for expenditures (continued)

D'Veal has \$1,967,185 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and Accounts Receivable. Of the \$744,705 in Accounts Receivable, \$651,909 is available within one year as evidenced by collections subsequent to the close of the fiscal year. D'Veal's average monthly normal operating expenses are \$750,000. D'Veal anticipates that the \$1,967,185 in Cash and subsequent cash flows generated should cover the normal operating expenses for one year. As more fully described in Note 13, D'Veal also has a committed line of credit in the amount of \$250,000, which it could draw upon in the event of an unanticipated liquidity need.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, D'Veal considers general expenditures to include both program and supportive costs. In addition to financial assets available to meet general expenditures over the next 12 months, D'Veal operates with a balanced budget and anticipates collecting revenue to cover general expenditures. The agency also receives contributions without restriction each year from donors, which are available to meet annual cash needs for general expenditure. D'Veal monitors and analyzes its required resources to meet operating needs on a monthly basis.

11. Newly Adopted Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires entities to recognize revenue when control of the promised services is transferred to tenants at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those services. The Organization adopted this standard on July 1, 2019, using the cumulative catch adjustment method. The adoption of this standard did not have a material impact on the amount and timing of revenue recognition for rental revenue. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) a Presentation of Financial Statements for Not-for-Profit Entities*. ASU No. 2016-14 reduces the number of net asset classes presented from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets for year ended June 30, 2019. Additionally, ASU No. 2016-14 requires presentation of expenses by functional and natural classification in one location and increases the quantitative disclosures about liquidity and availability of financial assets. The Organization adopted ASU No. 2016-14 for Organization's financial statements for the year ended June 30, 2019, and applied the changes retrospectively.

Cash Flows:

In August 2016, the FASB issued ASU 2016-15 *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments*. This update provides specific guidance on eight cash flow classification issues where previous guidance is either unclear or did not include specific requirements. The Organization adopted ASU 2016-15 effective for our fiscal year beginning July 1, 2019. This update includes specific guidance that requires cash collected on beneficial interests received in a sale of receivables be classified as inflows from investing activities. The statement update did not have a material impact on our Combined Statement of Cash Flows.

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

NOTES TO FINANCIAL STATEMENTS

11. Newly Adopted Accounting Pronouncements (continued)

Additionally, in November 2016 the FASB issued ASU 2016-18, *Statement of Cash Flows—Restricted*

*Cash*. The update requires that amounts generally described as restricted cash and restricted cash equivalents should be included with Cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization adopted ASU 2016-18 effective for fiscal year beginning July 1, 2019, and if applicable, applied it retrospectively through a revision of previously reported amounts. The adoption of ASU 2016-18 did not have a material effect to the financial statements.

12. SBA Conditional Contribution/PPP Loan

On May 4, 2020, the Organization (the “Borrower”), was granted a loan (the “Loan”) from Citizens Business Bank. in the aggregate amount of \$1,198,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Pursuant to FASB guidance ASC 958-605, a tax-exempt entity that expects to satisfy the PPP’s eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, should account for the PPP loan proceeds as a conditional contribution. The Organization has elected to account for the PPP loan proceeds as a conditional contribution. The Loan, which was in the form of a Note dated May 4, 2020, issued by the Borrower, matures on April 6, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on May 4, 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Borrower is not required to pay any principal and interest payments for the first six (6) months of the Loan (“6 Month Payment Deferral Period”), and monthly principal and interest payments shall thereafter become due on the seventh (7th) month of the Loan following the date of the Note. Beginning with the seventh (7th) month, payments must be made on the first calendar day for the month the payment is due.

The term of the Loan is for twenty-four (24) months (“Loan Term”). The maturity date for the Loan is May 04, 2022 (“Maturity Date”). Interest will accrue on the Eligible Loan Amount during the 6 Month Payment Deferral Period (“Deferred Interest”). The aggregate amount of the Deferred Interest for the 6 Month Deferral Period (“Deferred Sum”) shall be capitalized into the Loan balance, and the Loan balance shall be re-amortized to determine the monthly Loan payments for the remaining 18 months of the loan term. The monthly amount will be recalculated in the event that Borrower is granted eligible loan debt forgiveness.

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

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NOTES TO FINANCIAL STATEMENTS

13. Pacific Western Bank Line of Credit

D'Veal maintains a line of credit with Pacific Western Bank. The available line of credit is \$250,000. The unused line of credit is \$250,000. The line interest rate currently is 5.50%.

14. Contingency

D'Veal's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with the governmental funding agency's respective guidelines and regulations. The ultimate resolution, if any, which may result from these government audits cannot be reasonably estimated and, accordingly, D'Veal has no provisions for the possible disallowance of program costs on its financial statements.

D'VEAL CORPORATION

(DBA D'VEAL FAMILY & YOUTH SERVICES)

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

| Program Name                                | Federal   |        | Government Revenue |                    | Program            |
|---------------------------------------------|-----------|--------|--------------------|--------------------|--------------------|
|                                             | Contract  | CFDA   | Federal            | Non-Federal        |                    |
|                                             | Number    | No.    |                    |                    | Expenditures       |
| <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 121977 | 93.778 | \$4,316,300        | \$4,147,033        | \$8,463,333        |
| California State Department of Social       |           |        |                    |                    |                    |
| Services:                                   |           |        |                    |                    |                    |
| Pass-through, County of Los Angeles         |           |        |                    |                    |                    |
| Department of Children and Family           |           |        |                    |                    |                    |
| Services                                    |           |        |                    |                    |                    |
| Family Preservation Services                | 17-9-25   | 93.556 | <u>154,110</u>     | <u>343,019</u>     | <u>497,129</u>     |
| Total federal awards                        |           |        | <u>4,470,410</u>   | <u>4,490,052</u>   | <u>8,960,462</u>   |
| <b>Non-federal Awards</b>                   |           |        |                    |                    |                    |
| Prevention Initiative Demonstration Project |           |        |                    |                    |                    |
| Activities/Services                         | N/A       | N/A    |                    | 24,996             | 24,997             |
| 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>24,996</u>      | <u>24,997</u>      |
| Total federal and non-federal awards        |           |        | <u>\$4,470,410</u> | <u>\$4,515,048</u> | <u>\$8,985,459</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.

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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, 2021

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.

Note - Federally Funded Grant:

There are no outstanding federally insured grants at June 30, 2021.

ANTHONY APODACA ACCOUNTANCY CORPORATION

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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, 2021, 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 October 21, 2021.

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.

A handwritten signature in blue ink, appearing to read 'Anthony Apodaca', is positioned above the printed name.

Anthony Apodaca Accountancy Corporation

Monrovia, California  
October 21, 2021

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, 2021. 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, 2021.

### **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.

A handwritten signature in blue ink, appearing to read 'Anthony Apodaca', is written over a horizontal line.

Anthony Apodaca Accountancy Corporation

Monrovia, California  
October 21, 2021

D'VEAL CORPORATION

(DBA D'VEAL FAMILY AND YOUTH SERVICES)

Schedule of Finding and Questioned Costs

For the Year Ended June 30, 2021

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 \$750,000

programs: Auditee qualified as low-risk auditee Yes

Identification of Major Programs:

Department of Health and Human Services: 93.778

Medical Assistance Program

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.