

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

FINANCIAL STATEMENTS

JUNE 30, 2025

CONTENTS

	Page
Board of Directors	1
Independent Auditor's Report	2-4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-21
Schedule of Expenditures of Federal and Non-Federal Awards	21-22
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	23-24
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-27
Schedule of Findings and Questioned Costs	28
Management's Certification	29

D'VEAL CORPORATION
BOARD OF DIRECTORS
JUNE 30, 2025

Board of Directors:

Chief Executive Officer-	John T. McCall
Chief Operational Officer-	Ronald Mills
Chief Financial Officer-	David Gaffield
Board President-	Joe E. Brown
Board Vice President	Germaine Jordan
Board Secretary-	Othella Seavers
Board Treasurer-	Chris Kibodeaux
Board Member -	Lance Arnold
Board Member	Schunetta Burns Wilson



Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of D'Veal Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D'Veal Corporation as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of D'Veal Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of D'Veal Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about D'Veal Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 February 10, 2026, 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

February 10, 2026

D'VEAL CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

ASSETS

Current assets:

Cash	\$	511,349	
Accounts receivable (net of allowance for doubtful accounts \$239,860)		1,259,136	
Prepaid expense		21,091	
Deposits		30,295	
Total current assets			\$ 1,821,871

Property and equipment

Equipment	153,979	
Less accumulated depreciation	(153,979)	
		-
Total assets		\$ 1,821,871

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	80,151	
Accrued liabilities		359,211	
DMH settlement		278,255	
Insurance premium liability		150,253	
Line of credit		-	
Total current liabilities			\$ 867,870

Commitments

Net assets

Without donor restrictions		954,001
Total liabilities and net assets		\$ 1,821,871

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

D'VEAL CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating activities</u>			
Program service	\$ 8,784,404	\$ -	\$ 8,784,404
Pasadena grant	376,848	-	376,848
Contributions	118,270	-	118,270
Fee for services	-	-	-
Other income	19,718	-	19,718
Total revenue and support	9,299,240	-	9,299,240
<u>Expenses:</u>			
Program services	7,983,187	-	7,983,187
Administrative and General	1,444,839	-	1,444,839
Total expenses	9,428,026	-	9,428,026
Change in net assets from operations before	(128,786)	-	(128,786)
LA County contract settlement	-	-	-
Change in net assets	(128,786)	-	(128,786)
Net beginning of year	1,082,787	-	1,082,787
Net assets, end of year	\$ 954,001	\$ -	\$ 954,001

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, 2025

	Program Services	Management and General	Total
Salaries	\$ 4,947,479	\$ 849,863	5,797,342
Employee benefits	1,109,092	248,975	1,358,067
Total personnel costs	6,056,571	1,098,838	7,155,409
Facility	549,083	127,288	676,371
Program Consultant/Prof Fees	509,066	95,202	604,268
Program Admin Sharing	295,361	-	295,361
Information Technology	51,029	12,720	63,749
Transportation	29,585	670	30,255
Staff Development	190,787	82,493	273,280
Client Direct Cost	117,068	1,696	118,764
Office and General Operation	123,421	19,857	143,278
Other Non-labor	32,216	6,075	38,291
Interest Expense	-	-	-
Provision for bad debt	29,000	-	29,000
Total	<u>\$ 7,983,187</u>	<u>\$ 1,444,839</u>	<u>\$ 9,428,026</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (128,786)
Loss on fixed asset transaction	-
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	83
Increase (decrease) in cash due to changes in operating assets and liabilities:	
Accounts receivable	(546,279)
ETC receivable	-
Prepaid expense	1,442
Accrued liabilities	167,614
Net cash used in operating activities	<u>(505,926)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

-

CASH FLOWS FROM FINANCING ACTIVITIES

Net decrease in cash	<u>(505,926)</u>
Cash at beginning of year	<u>1,017,275</u>
Cash at end of year	<u><u>\$ 511,349</u></u>
Supplemental cashflow information:	
Cash paid for interest during the year	<u><u>\$ -</u></u>

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

JUNE 30, 2025

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 8.

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

JUNE 30, 2025

2. Summary of Significant Accounting Policies (continued)

Program Service Revenue, Billing Limits, and Revenue Uncertainty

The Organization receives a significant portion of its program service revenue from contracts administered by the Los Angeles County Department of Mental Health ("LACDMH"), including funding for Specialty Mental Health Services, Wraparound-related services, and programs funded under the Mental Health Services Act ("MHSA").

Nature of Billing and Reimbursement

Revenue under these agreements is primarily earned based on services rendered to eligible individuals and is reimbursed through a combination of fee-for-service, cost-reimbursement, and program-specific funding arrangements, depending on the program and funding source. Reimbursement is generally subject to client eligibility requirements; medical necessity and treatment plan documentation; service authorizations, where applicable; maximum allowable units, frequency, and service types; and maximum allowable rates established by contract, program bulletins, or applicable fee schedules.

While the agreements generally do not establish a single fixed annual dollar cap per client, billing is effectively limited by the maximum contract amount, and authorized services for each client and program.

Revenue Recognition

Program service revenue classified as exchange transactions is recognized in accordance with ASC 606, as services are provided and amounts are considered realizable. Funding determined to be conditional contributions is recognized in accordance with ASC 958-605 when applicable conditions have been substantially met. Management recognizes revenue only for services that are billable and allowable under the applicable contracts and program requirements.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

2. Summary of Significant Accounting Policies (continued)

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. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

2. Summary of Significant Accounting Policies (continued)

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

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, 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.

Concentration of Credit Risk:

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash. The Organization maintains cash balances in banks and a brokerage account located in Los Angeles County. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on these accounts. At June 30, 2025, cash balances exceeded the FDIC limit by \$39,000.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025, D'Veal did not receive donations of materials or services that satisfy the criteria for recognition.

Subsequent Events

Management has evaluated subsequent events through February 10, 2026, 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. Accounts receivable

Accounts receivable are receivables from Los Angeles County Department of Mental Health agencies.

The primary receivable balance outstanding at June 30, 2025, consists of government contract receivables due from county granting agencies. The receivables arise from amounts due under the DMH program.

Concentration of credit risk with respect to trade receivables and the DMH liability is limited to the Organization's successfully negotiating with the granting agency to offset the accounts receivable balance with the liability.

	<u>Current</u>	<u>Over 365 Days</u>	<u>Total</u>
Aging	\$957,686	\$ 541,310	\$1,498,996
Allowance for doubtful accts	<u>(145,437)</u>	<u>(94,423)</u>	<u>(239,860)</u>
Net	<u>\$812,249</u>	<u>\$ 446,887</u>	<u>\$1,259,136</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

4. Property and equipment

Property and equipment at June 30, 2025, 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>(153,979)</u>
		<u>\$ 0</u>

Depreciation expense for the year ended June 30, 2025, was \$84.

5. Accrued Liabilities

Accrued liabilities at June 30, 2025, consist of the following:

Accrued vacation	\$ 214,512
Accrued payroll	134,845
Accrued payroll taxes	<u>9,854</u>
	<u>\$ 359,211</u>

6. Commitments and contingencies

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. The financial statements have not been adjusted for the possible effect regarding the liability.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

6. Commitments and contingencies

Negative operating cash flows

D'Veal incurred negative operating cash flow (\$505,926), (see cash flow statement) during the current fiscal year and in previous years negative cash flow were incurred. Effective July 1, 2023, management entered into an amended contract with the Los Angeles County Department of Mental Health (LACDMH) which increases payment for services at a higher set rate rather than at a provisional rate. D'Veal's ability to realize positive operating cash flows is contingent on management's ability to invoice and collect from LACDMH at the new higher set rates with total cash receipts sufficient to cover total operating expenditures.

7. Program Service Fees from Government Agencies

Program service fees from government agencies for the year ended June 30, 2025, consist of the following:

Mental Health	\$8,397,187
Family Preservation	<u>387,2176</u>
	<u>\$8,784,404</u>

8. 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, 2025, was \$258,449.

9. Functional Allocation of Expenses:

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

10. 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, 2025, total amount of lease payments to Bethel Missionary Baptist Church was \$46,269.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

11. Assets available for expenditures

The following reflects D'Veal's financial assets as of the balance sheet date. As of June 30, 2025, 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	\$ 511,349
Accounts Receivables	1,628,574
Less amount not yet collected	(1,104,456)

Total Financial Assets at June 30, 2025	<u>\$ 1,035,467</u>
---	---------------------

Financial assets available to meet cash needs for general expenditures within one year \$1,035,467.

D'Veal has \$1,035,467 of financial assets available within one year of the balance sheet date to use for its cash needs for general expenditure consisting of cash and accounts receivable. D'Veal also has a committed line of credit in the amount of \$350,000, 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.

12. 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

12. Newly Adopted Accounting Pronouncements (continued)

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.

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.

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (NFP) organizations, including transparency on how those assets are used and how they are valued. The Organization adopted this standard effective for fiscal year beginning July 1, 2021. The adoption of this standard did not have a material effect to the financial statements.

13. Pacific Western Bank Line of Credit, unsecured

D’Veal maintains an unsecured line of credit with Pacific Western Bank. The line of credit agreement was modified to extend the maturity date to March 26, 2026. The available line of credit is \$350,000. The unused line of credit is \$350,000. The interest rate currently is 10.75%.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

14. Contingency

The Organization'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.

Accounts Receivable and Revenue Uncertainty

Amounts billed or accrued but not yet collected are recorded as accounts receivable. Reimbursement under LACDMH-administered programs is subject to post-payment review, utilization review, and audit, and amounts billed may be adjusted, denied, or recouped if services are later determined to be unsupported, unallowable, or billed in excess of program limitations.

Management evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, if necessary, based on historical collection experience, aging of receivables, subsequent cash receipts, and known billing or documentation issues. As of June 30, 2025, management is not aware of any disputed or contested amounts with LACDMH that would require a material adjustment to accounts receivable or revenue.

15 Commitments:

Operating Leases

D'Veal has entered into various operating lease agreements under which D'Veal is the lessee for certain of its office facilities in Southern California. In addition, the D'Veal elected the short-term practical expedient to leases of various equipment used in Southern California, with lease terms 12 months or less. All lease payments are fixed amount. The leases commenced during year 2020.

The D'Veal determines if an arrangement is a lease, or contains a lease, at inception and records the leases in its financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

If the lease agreements include lease and non-lease components, D'Veal has elected to utilize the practical expedient to account for lease and non-lease components together as a single combined lease component, from both a lessee and lessor perspective. From a lessor perspective, the timing and pattern of transfer are the same for the non-lease components and associated lease component and, the lease component, if accounted for separately, would be classified as an operating lease. Annual rent expense for year ended June 30, 2025 was \$453,176.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 15 – Operating Leases (continued):

D'Veal has elected not to present short-term leases on the balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that management is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the leases do not provide an implicit rate of return, we used our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

Commitments and Contingencies – LA County Department of Mental Health Assessment

The Organization provides Behavioral Health Services under a contract with the Los Angeles County Department of Mental Health ("LACDMH"). On February 20, 2025, LACDMH issued a final assessment totaling \$417,383 related to final settlements of cost reimbursement contracts for fiscal years dating back to 2007–2008. As of June 30, 2025, \$278,255.36 remained outstanding and is recorded as a liability in the accompanying financial statements. The Organization entered into a repayment agreement with LACDMH on February 20, 2025, requiring monthly payments of \$34,781 beginning in March 2025, with full repayment scheduled by February 2026. Subsequent to year-end, the Organization completed all required payments, and as of February 2026, no liability remains due to LACDMH. Management believes the recorded liability represented the full extent of the Organization's obligation related to this matter.

D'VEAL CORPORATION

(DBA D'VEAL FAMILY & YOUTH SERVICES)

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal</u>		<u>Revenue</u>	<u>Program</u>
		<u>Living</u>	<u>Government</u>		
<u>Federal Awards</u>	<u>No.</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Expenditures</u>	
Department of Health and Human Services Pass-through, County of Los Angeles					
Department of Mental Health:					
Medical Assistance Program (a)	MH 122174	93.778	\$2,687,100	\$5,710,087	\$8,397,187
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>42,594</u>	<u>344,623</u>	<u>387,217</u>
Total federal and non-federal awards			<u>\$2,729,694</u>	<u>\$6,054,710</u>	<u>\$ 8,784,404</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, 2025

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, 2025.

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, 2025, 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 February 10, 2026.

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

February 10, 2026

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

Opinion on Each Major Federal Program

We have audited D'Veal Corporation' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of D'Veal Corporation' major federal programs for the year ended June 30, 2025. D'Veal Corporation' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of D'Veal Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of D'Veal Corporation' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to D'Veal Corporation' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on D'Veal Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about D'Veal Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding D'Veal Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of D'Veal Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 D'Veal Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

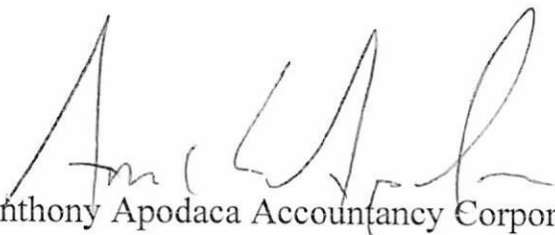
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
February 10, 2026

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

Schedule of Finding and Questioned Costs

For the Year Ended June 30, 2025

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: 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.

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

YEAR ENDED JUNE 30, 2025

MANAGEMENT'S CERTIFICATION

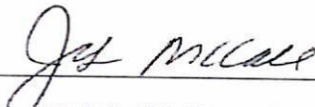
We hereby certify that we have examined the accompanying financial statements and supplemental data of D'Veal Corporation (dba D'Veal Family and Youth Services), and, to the best of our knowledge and belief, the same are complete and accurate.



David Gaffield, Chief Financial Officer

February 10, 2026

Date



John McCall, Chief Executive Officer

February 10, 2026

Date