HAMBURGER HOME, INC.
(dba AVIVA CENTER AND AVIVA FAMILY AND CHILDREN'S SERVICES)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2018

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children’s Services)
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) (A California Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) as of December 31, 2018, 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.

Report on Summarized Comparative Information

We previously audited the Hamburger Home, Inc.'s (dba Aviva Center and Aviva Family and Children's Services) 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services).

Vasin, Heyn + Co.

Calabasas, California
May 1, 2019

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 488,600	$ 1,404,379
Contracts receivable	4,603,544	3,364,038
Deposits and prepaid expenses	432,403	465,667
Investments	4,436,076	4,642,173
Property and equipment, net	4,105,032	4,903,987
Total assets	$ 14,065,655	$ 14,780,244
LIABILITIES		
Accounts payable and accrued expenses	$ 114,163	$ 157,264
Accrued payroll and related liabilities	767,532	868,743
Contract advances	3,764,536	3,087,724
Deferred revenue	-	10,412
Line of credit	415,000	2,904,677
Mortgage payable	3,929,380	1,672,043
Capital lease payable	699,550	983,795
Loan payable	-	4,214
Total liabilities	9,690,161	9,688,872
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	4,313,100	5,073,521
With donor restrictions	62,394	17,851
Total net assets	4,375,494	5,091,372
Total liabilities and net assets	$ 14,065,655	$ 14,780,244

See accompanying auditors' report and notes to financial statements.

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Government service contracts	$ 14,500,910	$ -	$ 14,500,910	$ 13,237,938
Program service fees	2,095,232	-	2,095,232	3,965,345
Contributions and grants	524,025	201,900	725,925	831,955
In-kind contributions	304,390	-	304,390	238,407
Interest income and dividend income	145,153	-	145,153	77,335
Realized gain (loss) on investments	(28,255)	-	(28,255)	229,968
Unrealized gain (loss) on investments	(428,626)	-	(428,626)	262,400
Gain (loss) on disposal of fixed asset	-	-	-	1,750
Other income	30,997	-	30,997	46,311
Contract settlements	-	-	-	97,947
Fundraising events	27,495	-	27,495	50,185
	17,171,321	201,900	17,373,221	19,039,541
Net assets released from restrictions	157,357	(157,357)	-	-
Total revenue, support and restrictions released	17,328,678	44,543	17,373,221	19,039,541
EXPENSES				
Program services	14,302,051	-	14,302,051	16,643,572
Support services	3,253,666	-	3,253,666	2,637,214
Fundraising expenses	533,382	-	533,382	791,358
Total expenses	18,089,099	-	18,089,099	20,072,144
CHANGE IN NET ASSETS	(760,421)	44,543	(715,878)	(1,032,603)
NET ASSETS - beginning of year	5,073,521	17,851	5,091,372	6,123,975
NET ASSETS - end of year	$ 4,313,100	$ 62,394	$ 4,375,494	$ 5,091,372

See accompanying auditors' report and notes to financial statements.

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services	Support Services	Fund-raising	2018 Total Expenses	2017 Expenses
Salaries and related expenses					
Salaries	$ 7,726,661	$ 1,266,380	$ 206,263	$ 9,199,304	$ 11,106,565
Payroll taxes	740,329	103,571	21,188	865,088	846,854
Employee benefits	1,507,995	410,699	26,305	1,944,999	2,225,214
	9,974,985	1,780,650	253,756	12,009,391	14,178,633
Other expenses					
Advertising and recruiting	25,093	19,389	2,558	47,040	50,364
Bank charges	-	18,016	6,444	24,460	15,665
Client related costs	264,143	4,846	5,622	274,611	255,787
Computer expenses	157,201	56,131	8,355	221,687	110,907
Conferences and training	68,176	23,575	3,052	94,803	146,322
Dues and subscriptions	12,169	42,614	440	55,223	71,985
Equipment rental and maintenance	29,716	50,784	860	81,360	99,953
Food costs	3,764	870	-	4,634	283,490
Foster parent expenses	866,089	-	-	866,089	726,780
In-kind, supplies	7,879	229,482	67,029	304,390	151,003
Insurance	78,765	177,865	5,387	262,017	280,535
Interest expense	49,313	142,438	4,401	196,152	159,937
Licenses and permits	1,649	-	-	1,649	-
Office expenses	29,911	102,057	9,231	141,199	107,119
Outside services	504,048	35,418	468	539,934	493,447
Postage and delivery	1,096	4,196	506	5,798	7,557
Printing	678	1,444	21,073	23,195	26,959
Professional fees	45,246	260,317	34,326	339,889	300,374
Public relations	18	-	13,261	13,279	21,949
Rent	719,743	70,834	140	790,717	804,133
Repairs and maintenance	33,261	31,549	1,256	66,066	101,497
Settlements, non-contract	-	35,000	-	35,000	-
Small equipment	3,821	514	-	4,335	5,563
Special events, event specialist	-	2,500	75,259	77,759	181,156
Supplies	18,670	41,371	2,419	62,460	54,779
Taxes and licenses	22,671	9,044	316	32,031	6,836
Telephone	179,695	39,218	2,018	220,931	243,510
Transportation and travel	231,962	24,859	338	257,159	248,032
Utilities	66,202	33,676	2,558	102,436	118,290
	13,395,964	3,238,657	521,073	17,155,694	19,252,562
Depreciation	906,087	15,009	12,309	933,405	819,582
Total expenses	$ 14,302,051	$ 3,253,666	$ 533,382	$ 18,089,099	$ 20,072,144

See accompanying auditors' report and notes to financial statements.

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (715,878)	$ (1,032,603)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	933,405	819,582
(Gain) loss on investment, net	456,881	(492,368)
(Gain) loss on sale of fixed assets	-	(1,750)
(Increase) decrease in:		
Contracts receivable	(1,239,506)	(98,396)
Deposits and prepaid expenses	33,264	72,509
Increase (decrease) in:		
Accounts payable and accrued expenses	(43,101)	(113,553)
Checks written in excess of cash balance	-	(179,107)
Accrued payroll and related liabilities	(101,211)	7,575
Contract advances	676,812	1,219,879
Deferred revenue	(10,412)	7,912
Total adjustments	706,132	1,242,283
Net cash provided (used) by operating activities	(9,746)	209,680
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,746,466)	(3,675,347)
Dividends from investments reinvested	(143,906)	
Proceeds from the sale of investments	1,639,588	4,476,346
Proceeds from the sale of property and equipment	-	1,750
Payments related to the construction of capital asset	(84,450)	-
Purchase of property and equipment	-	(121,961)
Net cash provided (used) by investing activities	(335,234)	680,788
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of borrowings from line of credit	5,373,612	5,959,860
Principal payments related to line of credit	(7,863,289)	(5,255,183)
Proceeds from borrowing on mortgage and loans payable	4,000,000	-
Principal payments on mortgage and loan payable	(1,746,877)	(144,606)
Payments related to the construction of capital asset with donor funds	(50,000)	-
Payments on capital lease payable	(284,245)	(216,822)
Net cash provided (used) by financing activities	(570,799)	343,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(915,779)	1,233,717
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,404,379	170,662
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 488,600	$ 1,404,379
Non-cash activities:		
In-kind contributions	$ 304,390	$ 238,407
Donated Asset	$ -	$ 87,404
Increase in Capital Leases	$ -	$ 1,138,766
Supplemental disclosure:		
Interest paid	$ 196,152	$ 159,937
Supplemental disclosure of non-cash investing activies:		
Construction in progress transferred to property and equipment	$ -	$ 1,282,901

See accompanying auditors' report and notes to financial statements.

HAMBURGER HOME, INC.
(dba Aviva Center and Aviva Family and Children's Services)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. ORGANIZATION

Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services), a California Non-Profit Corporation ("Aviva") is comprised of a foster family/adoption agency and an outpatient mental health clinic, which provide children ages one to eighteen with care, clinical intervention, education and job training. The goal of Aviva's foster care programs is to assist clients to improve their social functioning to a level whereby they can prepare for independent living or a return to their family or a substitute family. Aviva's community mental health service programs provide a full range of professional treatment on an outpatient basis to low-income families and their children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aviva prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Aviva are described below to enhance the usefulness and understandability of the financial statements.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of Aviva's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the two classes of net assets – with donor restrictions, and without donor restrictions - in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net Assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets - Continued

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. AVIVA's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by AVIVA, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Contracts Receivable

Contracts receivable are stated at the amount management expects to collect from outstanding balances. Contract receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when management receives notification from the grantor agency. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2018, no allowance was established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Prepaid Expenses

Prepaid deposits, insurance, contracts and other costs are expensed ratably over their respective terms of agreement.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is donor restricted by donor stipulations or by law.

Property and Equipment, net

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Buildings, leasehold improvements, furniture and equipment are capitalized if their costs exceed $5,000. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Assets purchased with government grant or contract funds are subject to certain restrictions including a proprietary interest in such assets and are charged at the time of acquisition to direct costs (expense) in accordance with grantor guidelines and simultaneously recorded as assets and contributions.

Assets purchased with governmental grants or contracts are capitalized and depreciated by Aviva in accordance with accounting standards generally accepted in the United States of America. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	20 - 40 years
Capital leases	4 – 5 years
Furniture and Equipment	5 -10 years
Improvements	2.5 - 15 years
Land	N/A
Proprietary software	5 years
Vehicles	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Construction in Progress

Construction in progress includes renovation costs related to the Wallis house of $134,450 incurred during 2018.

Vacation Policy

Vacation benefits are accrued on a biweekly basis. Full-time employees accrue vacation time based upon years of service to Aviva as follows:

	Non-Exempt	Exempt
Years Employed	Maximum Accrual Per Year	
0 - 2 years	15 days	18 days
3 years	16.5 days	19.5 days
4 - 9 years	21 days	22.5 days
10 + years	25.5 days	27 days

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2018, was $463,551.

Contract Advances

Contract advances consists of board and care overpayments pending refund on request to Los Angeles County Department of Children and Family Services and reserves for pending contract settlements with Los Angeles County Department of Mental Health.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue and expense in equal amounts at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been included in the accompanying financial statements for donated services. In-kind revenues in the financial statements consist of supplies recorded and valued at $304,390 for the year ended December 31, 2018.

Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payers for services provided under such contracts are recognized when earned by Aviva. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contract Advances.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Aviva's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Aviva.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Aviva is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Aviva is also exempt from federal unemployment tax. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Aviva has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2018, Aviva had no material unrecognized tax benefits, tax penalties or interest.

Aviva's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017, 2016, and 2015, are subject to examination by the IRS, generally for 3 years after they were filed.

Expense Recognition and Allocation

The cost of providing Aviva's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Aviva.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Aviva generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Aviva's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Aviva's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2017 comparative totals have been reclassified to conform with the 2018 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Aviva's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Aviva reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Aviva has access at the measurement date.

- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The individual equity holdings, individual fixed-income holdings and hedge-fund holdings are value at quoted market prices, which represent the net asset value of shares held by Aviva at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments

When available, Aviva measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. INVESTMENTS

Aviva measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Aviva to develop its own assumptions. Aviva uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Aviva measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All investments reported at fair value at December 31, 2018 are Level 1 inputs.

Investments consist of the following at December 31, 2018:

	Total	Level 1
Individual equity holdings	$ 3,093,014	$ 3,093,014
Individual fixed-income holdings	1,175,836	1,175,836
Hedge-fund holdings	167,226	167,226
Total investments	$ 4,436,076	$ 4,436,076

At December 31, 2018, Aviva did not have any investments measured using Level 2 and Level 3 inputs.

Interest income and dividend income on investments	$ 143,906
Interest income from cash and cash equivalents	1,247
Realized gain (loss) on investments	(28,255)
Unrealized gain (loss) on investments	(428,626)
Total investment return	$ (311,728)

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2018 consist of the following:

	Government Funded	Aviva Owned	Total
Buildings and improvements	$ 65,762	$ 7,788,626	$ 7,854,388
Capital leases	1,232,813	-	1,232,813
Computer equipment	159,589	267,844	427,433
Construction in progress	-	134,450	134,450
Furniture and fixtures	-	600,769	600,769
Land	-	1,090,084	1,090,084
Proprietary software	1,282,901	-	1,282,901
Vehicles	212,100	197,725	409,825
Video	-	20,915	20,915
	2,953,165	10,100,413	13,053,578
Accumulated depreciation	(1,474,724)	(7,473,822)	(8,948,546)
Property and Equipment, net	$ 1,478,441	$ 2,626,591	$ 4,105,032

Certain equipment has been purchased with federal, State and other granting agencies' funds. These agencies retain a proprietary interest in such property. Property acquired with these funds is considered to be owned by Aviva while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds therefrom is subject to federal, state, or local regulations.

Total depreciation expense for the year ended December 31, 2018 was $933,405.

5. ACCRUED PAYROLL, RELATED LIABILITIES AND CONTRACT ADVANCES

Accrued payroll and related liabilities at December 31, 2018 consist of the following:

Accrued payroll	$ 220,439
Accrued vacation	463,551
Other related liabilities	83,542
Total accrued payroll and related liabilities	$ 767,532

Contract advances at December 31, 2018 consist of the following:

Board and care overpayments – due to County	$ 509,955
Mental health contract reserve	3,254,581
Total contract advances	$ 3,764,536

6. BORROWING ARRANGEMENTS

Line of Credit

Aviva has a line of credit with Bank of America. The line allows for borrowings up to $3,000,000, with no fixed maturity date and full repayment due on demand. The loan is collateralized by assets held in an investment account at U.S. Trust. Interest accrues at the current index rate, as defined, generally 3.297% per annum (4.222 % at December 31, 2018). Balance due to the bank was $415,000 at December 31, 2018. The line of credit agreement contains certain covenants which were in compliance during the year ended December 31, 2018.

During the year ended December 31, 2018, Aviva opened a line of credit with First Citizens Bank. The line allows for borrowings up to $1,000,000, with no fixed maturity date and full repayment due on demand. The loan is collateralized by assets held in an investment account at U.S. Trust. Interest accrues at the current index rate, as defined, generally 4.75% per annum (3.269% at December 31, 2018). Balance due to the bank was $0 at December 31, 2018. The line of credit agreement contains certain covenants which were in compliance during the year ended December 31, 2018.

Interest expense incurred the year ended December 31, 2018 was $48,842.

Mortgage Payable

Aviva has a mortgage payable in monthly installments with First Citizens Bank maturing March 2025. The mortgage is secured by real property. The loan agreement includes covenants which are not in compliance and were subsequently waived after December 31, 2018. The mortgage is payable in monthly installments of $21,584 with interest payable monthly at 4.15% per annum. The balance owed at December 31, 2018 was $3,929,380. The original mortgage with Wells Fargo was refinanced in March 2018 with First Citizens Bank.

Interest expense incurred for the year was $143,565.

Future minimum payments on the mortgage payable are as follows:

Year Ended December 31,	Amount
2019	$ 95,410
2020	99,048
2021	103,752
2022	108,203
2023	112,844
2024 and thereafter	3,410,123
Total	$ 3,929,380

6. BORROWING ARRANGEMENTS – Continued

Capital Lease Obligations

Between July 2016 and November 2017, Aviva entered into a total of six (6) Lease Agreements with Insight Investments, LLC, for the purposes of financing furnishings and technology. Monthly installment payments are due on each lease, allocated between principal and interest at an annual rate of 4.75%. Interest expense incurred for the capital lease obligations for the year ended December 31, 2018 was $3,360.

	Term in Months	Monthly Installment Payment	Lease Balance 12/31/18
Computers and networking equipment (3 leases)	48	$ 15,800	$ 373,937
Video conferencing equipment (1 lease)	48	3,844	121,613
Furnishings (2 leases)	60	6,059	204,000
Total		$ 25,703	$ 699,550

Future minimum lease payments on the lease obligations are as follows:

Year Ended December 31,	Amount
2019	$ 285,358
2020	283,969
2021	120,937
2022	9,286
Total	$ 699,550

7. CONTINGENCIES

Contracts

Aviva'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 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 often cannot be reasonably estimated.

Included in contract advances is a reserve of $1,641,000 for the Mental Health contract. This amount reflects the Los Angeles County Department of Mental Health's proposed Bundled Interim Settlement for contract fiscal years 2004-05 through 2013-14. The amount and terms of the settlement are under continuing negotiation, and the reserve amount is subject to change as a result.

Litigation

Aviva is involved in certain litigation, arising from operations, the ultimate outcome of which is not susceptible to reasonable estimation. Management believes that any potential settlements will be compensated from existing insurance coverage.

8. SOURCES OF REVENUE AND SUPPORT

The balances at December 31, 2018 consist of the following:

Program revenue	
Foster care	$ 3,057,368
Mental health	11,862,274
Various other	1,676,500
Support	
Fund development	1,057,810
Investment and activity income (loss), net	(311,728)
Other income	30,997
Total sources of revenue and support	$ 17,373,221

9. COMMITMENTS AND TOTAL RENT EXPENSES

Obligations Under Lease

Aviva leases space at several locations. Future minimum payments under these leases, with an initial or remaining term of one year or more, are as follows:

Year Ended December 31,	Amount
2019	$ 904,370
2020	916,268
2021	877,624
2022	816,961
2023 and thereafter	1,088,970
Total	$ 4,604,193

Total rent expense for the year ended December 31, 2018 was $790,717

Aviva has obligations for furnishings and equipment under operating leases. Future minimum payments under these leases, with an initial or remaining term of one year or more, are as follows:

Year Ended December 31,	Amount
2019	$ 47,735
2020	37,978
2021 and thereafter	13,088
Total	$ 98,801

Total furnishings and equipment expense, including maintenance, for the year ended December 31, 2018 was $81,360.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

	Balance at December 2017	Income	Expenditures	Balance at December 2018
Digital Media Lab	$ 5,457	$ 50,000	$ (55,457)	$ -
Holiday Drive	-	6,700	(6,700)	-
Intensive Community Behavioral Services Support	-	35,000	(35,000)	-
RHAS/RSS Resource Fair Support	-	200	(200)	-
Renovation of Wallis home for Transition Living program	-	100,000	(50,000)	50,000
Research support	-	10,000	(10,000)	-
Support for Transition Living Program	12,394	-	-	12,394
Total net assets with donor restrictions	$ 17,851	$201,900	$ (157,357)	$ 62,394

Amounts released from net assets with donor restrictions during the year ended December 31, 2018, were as follows:

Grant	Expenditures	Amount
Wallis House Renovations	Grant was expended for its purpose	$ 50,000
Digital Media Lab operating support	Grant was expended for its purpose	55,457
Holiday Drive	Grant was expended for its purpose	6,700
Intensive Community Behavioral Services support	Grant was expended for its purpose	35,000
Research Support	Grant was expended for its purpose	10,000
Relative Support Services Resource Fair support	Grant was expended for its purpose	200
Total		$ 157,357

11. CONTRIBUTORY RETIREMENT PLANS

Aviva maintains two retirement plans:

Multi-Employer Defined Benefit Plan

A multi-employer defined benefit plan sponsored by the Jewish Federation Counsel of Los Angeles (JFC) applies to employees hired prior to January 1, 2006. Under a procedure effective January 1, 2016, JFC's actuaries review the plan annually to calculate the funding obligation, which is then assessed to each member employer according to their participation. The assessment is billed to each member employer in January and payable to JFC in bi-monthly installments.

403(b) Plan

Aviva offers a qualified 403(b) to all employees who were hired after January 1, 2006. This plan has an auto-enrollment feature requiring employees to opt out if they do not wish to make salary deferral contributions to a traditional or Roth retirement account to the extent allowed by law. Employees who have completed one year of service, are age twenty-one or older, and are not included in the JFC Defined Benefit Plan may have up to 5% of their contributions matched by Aviva. Employer contributions are made each payroll period.

During the year ended December 31, 2018 Aviva made combined contributions to these retirement plans in the amount of $658,583.

12. FUNDRAISING FROM SPECIAL EVENTS

Aviva conducts various special events and fundraising activities during the year. The revenue and expenses from special events for the year ended December 31, 2018 were as follows:

Special Event	Revenue	Contributions	Expenses	Net Revenue
Gala dinner	$ 22,925	$ 151,433	$ (119,121)	$ 55,237
Other events	4,570	-	-	4,570
Total	$ 27,495	$ 151,433	$ (119,121)	$ 59,807

13. LIQUIDITY AND AVAILABILITY

	12/31/18	12/31/17
Total financial assets:	$ 9,528,220	$ 9,410,590
Donor-imposed restrictions:	(62,394)	(17,851)
Net financial assets after donor-imposed restrictions	9,465,826	9,392,739
Financial assets available to meet cash needs for general expenditures within one year	$ 9,465,826	$ 9,392,739

Aviva's goal is generally to maintain financial assets to meet 30 days of operating expenses approximately $1,000,000. As part of its liquidity plan, Aviva bills government-funded contracts in accordance with funding terms and conditions or receives periodic advances from funders, generally monthly. Amounts available for expenditure over the period of the next twelve are dependent on governmental funder's payment cycles which vary from 45 to 50 days. Excess cash, if any, is invested in short-term investments, including money market accounts. Aviva has two line of credit accounts totaling $4,000,000 available to meet cash flow needs.

14. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance. However, Aviva performs ongoing evaluations of the commercial bank to limit its concentration of credit risk and has not suffered any losses. Corporation and Securities Investor Protection Corporation limits. Aviva deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

Concentration of credit risk with respect to trade receivables is limited, as the majority of Aviva receivables consist of earned fees from contract programs granted by governmental agencies. The majority of Aviva's contributions and grants are received from corporations, foundations, and individuals and from California and local governmental entities. As such, Aviva's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Aviva's services.

Aviva received 95.5% or $16,596,142 of its revenue and support from government contracts and awards. Foster care revenue represents 28.5% and mental health revenue represents 71.5% of that total.

14. CONCENTRATION RISK - Continued

Aviva holds investments in the form of equities, corporate bonds, and mutual funds. The Board of Directors routinely reviews market values of such investments and the credit ratings of bond issuers. Aviva's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Aviva's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

15. SUBSEQUENT EVENTS

Aviva has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 1, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.