Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)

Financial Statements

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) (a California nonprofit corporation) ("Aviva"), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamburger Home, Inc. (dba Aviva Center and Aviva Family and Children's Services) as of June 30, 2020, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* and ASU 2016-18, *Restricted Cash*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 16 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, management has restated the prior year balances of contract receivables and contract advances relating to Aviva's Department of Mental Health contract. Our opinion is not modified with respect to this matter.

Armanino LLP

Armanino LLP
Los Angeles, California

November 13, 2020

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Financial Position
June 30, 2020

ASSETS

Cash and cash equivalents	$ 1,187,481
Contract receivables	3,186,899
Deposits and prepaid expenses	596,752
Investments	5,183,173
Property and equipment, net	5,070,893
Total assets	$ 15,225,198

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	$ 163,786
Accrued payroll and related liabilities	908,527
Capital lease payable	325,658
Contract advances	2,874,690
Mortgage payable	3,765,213
Forgivable construction loan	2,222,338
Refundable advance - Paycheck Protection Program	1,852,981
Total liabilities	12,113,193
Commitments and contingencies (Notes 12 and 16)	
Net assets	
Without donor restrictions	3,038,194
With donor restrictions	73,811
Total net assets	3,112,005
Total liabilities and net assets	$ 15,225,198

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Government contracts and grants	$ 15,326,624	$ -	$ 15,326,624
Other contract revenue	296,679	-	296,679
Conditional grant revenue - PPP Loan	245,949	-	245,949
Contributions and grants	303,069	101,100	404,169
Proceeds from special events, net	75,910	-	75,910
In-kind contributions	179,656	-	179,656
Investment return, net	71,182	-	71,182
Other income	23,147	-	23,147
Net assets released from restriction	262,264	(262,264)	-
Total revenues, gains, and other support	16,784,480	(161,164)	16,623,316
Functional expenses			
Program services	13,553,531	-	13,553,531
Support services			
Management and general	2,822,246	-	2,822,246
Fundraising	458,863	-	458,863
Total support services	3,281,109	-	3,281,109
Total functional expenses	16,834,640	-	16,834,640
Change in net assets	(50,160)	(161,164)	(211,324)
Net assets, beginning of year	3,088,354	234,975	3,323,329
Net assets, end of year	$ 3,038,194	$ 73,811	$ 3,112,005

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

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries and wages	$ 7,059,168	$ 1,411,816	$ 190,960	$ 8,661,944
Payroll taxes	533,760	109,610	13,988	657,358
Employee benefits	1,357,646	463,066	26,206	1,846,918
Total personnel expenses	8,950,574	1,984,492	231,154	11,166,220
Other expenses				
Advertising and recruiting	17,622	9,153	3,287	30,062
Bank charges	1,803	4,240	4,960	11,003
Client Care	132,336	1,622	2,244	136,202
Computer expenses	128,378	85,333	1,636	215,347
Conferences	41,791	11,776	2,188	55,755
Dues and subscriptions	10,370	61,445	7,921	79,736
Equipment rental	36,406	15,246	906	52,558
Food	120,684	12	-	120,696
Foster parent expenses	1,115,927	-	-	1,115,927
In-kind, supplies	37,728	-	141,928	179,656
Insurance	84,178	169,611	2,374	256,163
Interest expense	69,459	112,302	4,615	186,376
Office expense	30,583	26,079	2,228	58,890
Outside services	289,698	36,689	-	326,387
Postage	1,365	2,756	211	4,332
Printing	6,039	2,816	1,746	10,601
Professional Development	42,957	42,253	10,372	95,582
Public relations	-	2,250	12,784	15,034
Rent	815,176	67,735	-	882,911
Repairs	76,627	21,940	1,474	100,041
Small equipment	7,824	-	-	7,824
Supplies	53,876	47,023	2,991	103,890
Taxes and licenses	26,808	5,389	360	32,557
Telephone	181,440	28,504	3,605	213,549
Transportation	168,632	28,250	938	197,820
Utilities	69,308	37,620	2,337	109,265
Total other expenses	3,567,015	820,044	211,105	4,598,164
Depreciation and amortization	1,035,942	17,710	16,604	1,070,256
	$ 13,553,531	$ 2,822,246	$ 458,863	$ 16,834,640

Hamburger Home, Inc.
(dba Aviva Center and Aviva Family and Children's Services)
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities		
Change in net assets	$	(211,324)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		1,070,256
Net losses on investments		32,005
Loan forgiveness, construction loan		(137,662)
Changes in operating assets and liabilities		
Contracts receivable		(182,528)
Deposits and prepaid expenses		(84,576)
Accounts payable and accrued expenses		(185,662)
Accrued payroll and related liabilities		209,236
Contract advances		171,103
Refundable advance - Paycheck Protection Program		1,852,981
Net cash provided by operating activities		2,533,829
Cash flows from investing activities		
Proceeds from the sales of investments		651,219
Purchases of investments		(633,350)
Reinvested dividends and interest		(140,639)
Purchases of property and equipment		(1,243,638)
Net cash used in investing activities		(1,366,408)
Cash flows from financing activities		
Repayments on line of credit, net of advances		(2,373,859)
Principal payments on mortgage and payable		(116,300)
Principal payments on capital lease obligation		(287,152)
Proceeds from forgivable construction loan		2,360,000
Net cash used in financing activities		(417,311)
Net increase in cash and cash equivalents		750,110
Cash and cash equivalents, beginning of year		437,371
Cash and cash equivalents, end of year	$	1,187,481

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$	186,376

Supplemental schedule of noncash investing and financing activities

Computer equipment acquired under capital lease	$	55,791

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

1. NATURE OF OPERATIONS

Established in 1915, Hamburger Home, Inc. dba Aviva Family and Children's Services ("Aviva") is a 501(c)(3) California nonprofit corporation providing comprehensive therapeutic services to vulnerable children, youth and adults through four program areas: mental health services, crisis intervention, foster and adoption and supporting housing for young women and their children experiencing homelessness. Aviva leadership and staff represent the multicultural, multi-ethnic communities they serve throughout Los Angeles County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

Aviva has adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This standard clarifies that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement contains a barrier. Aviva has adopted the standard on a modified prospective basis, meaning that it has been applied to all new arrangements and any revenue that had not been recognized from arrangements that existed as of January 1, 2019. Federal grants are generally contributions, if the intended recipient of the grant is the general public. The grants are also generally conditional based upon adherence to the Uniform guidance, in which case contribution revenue is recognized as costs are incurred. The adoption of this accounting principle did not result in any changes to beginning donor restricted net assets.

Aviva adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-18, *Restricted Cash*. The standard requires (1) that an entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and cash equivalents (2) A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. (3) Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. (4) An entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions.

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

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 June 30, 2020, Aviva had no material unrecognized tax benefits, tax penalties or interest.

Aviva's federal information returns for tax years 2017 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2016 and subsequent.

Financial statement presentation

Aviva reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions are resources available to support operations. The only limits on the use of without donor restrictions are the broad limits resulting for 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)

Financial statement presentation (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 or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The organization'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 with donor restrictions to without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

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.

Cash and cash equivalents

Aviva considers cash on deposit, temporary investments and all highly-liquid financial instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2020.

Concentrations

Aviva's bank balances occasionally exceed the FDIC-insured limits. Aviva has not experienced and does not anticipate any losses relating to cash held in these accounts.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

Aviva received 90.3% or $15,060,624 of its revenue and support from government contracts and awards. Of this amount, 69.5% is funding received from the Los Angeles County Department of Mental Health which consists of 44.3% of federal funding and 55.7% of non-federal funding.

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.

Investments

Investments are carried at fair value (see Note). Interest and dividend income, and gains and losses on investments are reported in the statement of activities as either increases or decreases in net assets without donor restrictions, unless the use is restricted by donor stipulations or law.

Property and equipment

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Furniture and fixtures	5 - 10 years
Automobiles	5 years
Computer equipment	5 years
Software	5 years
Other fixed assets	4 - 5 years
Leasehold improvements	Lesser of useful life or term of lease

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by Aviva during the year ended June 30, 2020.

Contract receivables

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 June 30, 2020, no allowance was established.

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. Typically, contract advances are not settled through repayment immediately, since subsequent years of the ongoing contract may result in receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and revenue recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as releases between net assets with and without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Accordingly, Aviva recognizes government grant funds as support and revenue when eligible costs are incurred or when eligible services have been rendered. A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a liability (deferred revenue) is recorded when contract cash advances exceed support earned. Aviva has not received any cost-reimbursable grants that have not been recognized at June 30, 2020 because qualifying expenses have not yet been incurred. Aviva is accounting for its Paycheck Protection Program advance in accordance as a conditional grant. See Note 7.

Contributions, which may include unconditional promises-to-give, are recognized as revenue in the period received or pledges.

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 $179,656 for the year ended June 30, 2020.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition and allocation (continued)

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.

Subsequent events

Aviva has evaluated events subsequent to June 30, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 13, 2020 the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 12.

3. INVESTMENTS

Aviva reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, Aviva's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equities	$ 3,651,094	$ -	$ -	$ 3,651,094
Fixed-income	1,286,837	-	-	1,286,837
Hedge funds	245,242	-	-	245,242
	$ 5,183,173	$ -	$ -	$ 5,183,173

3. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 5,092,408
Realized losses on sales of investments	(34,527)
Unrealized gains on investments	2,522
Proceeds from sales of investments	(651,219)
Purchases of investments	633,350
Reinvested dividends and interest	140,639
Balance, end of year	$ 5,183,173

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Government Funded	Aviva Owned	Total
Land	$ -	$ 1,090,084	$ 1,090,084
Buildings	-	10,318,258	10,318,258
Leasehold improvements	66,876	2,000	68,876
Furniture and fixtures	-	638,162	638,162
Automobiles	212,100	180,544	392,644
Computer equipment	159,589	267,844	427,433
Software	1,282,901	20,915	1,303,816
Other fixed assets	1,232,813	55,791	1,288,604
	2,954,279	12,573,598	15,527,877
Accumulated depreciation and amortization	(1,574,339)	(8,882,645)	(10,456,984)
	$ 1,379,940	$ 3,690,953	$ 5,070,893

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 and amortization expense for the year ended June 30, 2020 was $1,070,256.

5. ACCRUED PAYROLL, RELATED LIABILITIES AND CONTRACT ADVANCES

Accrued payroll and related liabilities consisted of the following

Accrued payroll	$	199,315
Accrued vacation		542,251
Other related liabilities		166,961
	$	908,527

Contract advances consisted of the following:

Board and care overpayments - due to County	$	306,913
Mental health contract reserve		2,567,777
	$	2,874,690

6. FORGIVABLE CONSTRUCTION LOAN

Homeless emergency aid program loan

In August 2019, the City of Los Angeles provided Aviva with $2,360,000 in funding received from the State of California's Business, Consumer Services and Housing Agency, pursuant to the Homeless Emergency Aid Program, to support the rehabilitation of a building located at 1701 Camino Palermo Street in Los Angeles, California, in order to establish 42 transitional housing beds for female transition-aged youth who are homeless or are at risk of homelessness. The loan is secured by the property. If Aviva continues to operate the facility at 1701 Camino Palermo Street, then the loan will be forgiven at the rate of $118,000 every six-months for 10-years. During the year ended June 30, 2020, Aviva recognized $137,662 in loan forgiveness related to this forgivable construction loan which has been included within contributions and grants revenue in the accompanying statement of activities.

7. PAYCHECK PROTECTION PROGRAM

On April 20, 2020, Aviva received loan proceeds of $2,098,930 from a promissory note issued by First Choice Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Aviva believes that it will qualify for forgiveness and is accounting for the PPP loan as a conditional grant which is satisfied as the loan funds are disbursed for qualifying expenditures.

7. PAYCHECK PROTECTION PROGRAM (continued)

Aviva has elected a 24-week period to incur qualifying expenditures which ended in October 2020. Due to the requirement to maintain its headcount through the entire 24-week period, accounting guidance requires Aviva to pro rate the amount of recognizable revenue by a factor equal to the number of weeks incurred prior to year end (10.5) by the total number of weeks in the qualifying expense period (24). During the year ended June 30, 2020, Aviva incurred $562,170 in qualifying expenditures and recognized $245,949 or 43.75% as revenue relating to PPP loan forgiveness.

8. 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 were in compliance at June 30, 2020. The mortgage is payable in monthly installments of $21,584 with interest payable monthly at 4.15% per annum, with a balloon payment of $3,285,981 due March 2025. The balance owed at June 30, 2020 was $3,765,213. The original mortgage with Wells Fargo was refinanced in March 2018 with First Citizens Bank.

Interest expense incurred for the year ended June 30, 2020 was $162,021.

Future minimum payments on the mortgage payable are as follows:

Year ending June 30,	
2021	$ 101,590
2022	105,943
2023	110,493
2024	114,837
2025	3,332,350
	$ 3,765,213

9. CAPITAL LEASE OBLIGATIONS

Aviva entered into a total of seven (7) Lease Agreements with Insight Investments, LLC, for the purposes of financing furnishings and technology, maturing at various dates between November 2020 and October 2023. Monthly installment payments are due on each lease, allocated between principal and interest at an annual rate of 0.395%. Interest expense incurred for the capital lease obligations for the year ended June 30, 2020 was $1,602.

9. CAPITAL LEASE OBLIGATIONS (continued)

Capital lease obligations for the year ended June 30, 2020 consisted of the following:

	Monthly Payment	Payments	Lease Balance
Computers and networking equipment (4 leases)	$ 15,589	$ 180,385	$ 164,940
Video conferencing equipment (1 lease)	3,760	45,122	57,405
Furnishings (2 leases)	5,636	67,636	103,313
	$ 24,985	$ 293,143	$ 325,658

Future maturities of capital lease obligations are as follows:

Year ending June 30,	
2021	$ 246,750
2022	65,965
2023	15,791
2024	5,278
	333,784
Imputed interest	(8,126)
	$ 325,658

10. 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, which was 4.014 % at June 30, 2020. There was no outstanding at June 30, 2020.

Aviva has 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, which was 5.75% at June 30, 2020. There was no outstanding balance at June 30, 2020.

Interest expense incurred for the year ended June 30, 2020 was $22,753.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose	
Transitional living programs	$ 67,199
Support for other programs	6,612
	$ 73,811

12. COMMITMENTS AND 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, as well as additional estimated liabilities based on interim settlements fur subsequent contract years. 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.

12. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments

Aviva leases space at several locations and 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 ending June 30,	Leased Space	Furnishings & Equipment	Total
2021	$ 894,818	$ 82,924	$ 977,742
2022	914,208	63,364	977,572
2023	788,869	27,245	816,114
2024	732,552	12,484	745,036
2025	61,195	209	61,404
	$ 3,391,642	$ 186,226	$ 3,577,868

Total rent expense for the year ended June 30, 2020 was $882,911. Total furnishings and equipment expense, including maintenance, for the year ended June 30, 2020 was $52,558.

In November 2020, Aviva renewed an expiring building lease through March 2023. The minimum payments due under this renewed lease are included in the table above.

13. SOURCES OF REVENUE AND SUPPORT

Sources of revenue and support are as follows:

Program revenue	
Mental health	$ 10,734,592
Foster care	2,481,819
Wraparound approach services	1,257,485
Relative assessment and support services	735,488
Homeless services	296,679
Adoption	95,000
Child abuse prevention	22,240
	15,623,303
Support	
Contributions and grants	404,169
In-kind contributions	179,656
Conditional grant revenue - PPP Loan	245,949
Special events, net	75,910
Investment income, net	71,182
Other income	23,147
	1,000,013
	$ 16,623,316

14. RETIREMENT PLANS

Aviva maintains two retirement plans:

Multi-employer defined benefit plan

Aviva participates in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (the "Basic Plan"), identified as Plan 001 and Employer Identification Number 95-1643388. The Basic Plan is a multi-employer pension plan for certain employees of the Jewish Federation Council of Greater Los Angeles and participating affiliate agencies. Substantially all employees hired prior to 2006 are participants in the Basic Plan. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

14. RETIREMENT PLANS (continued)

- If Aviva chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For the plan year beginning January 1, 2018, the Basic Plan was certified to be in neither endangered nor critical status ("Green Zone") because the Basic Plan's funded percentage was greater than 80%. The Basic Plan has been Green Zone certified since January 1, 2014. The JFC has not made the Basic Plan's financial information available at June 30, 2020, so the total plan assets and accumulated benefit obligations are being omitted from disclosure. During 2020, Aviva contributed $387,833 to the Basic Plan which exceeded 5% of the total plan contributions.

The Basic Plan's audited financial statements and Form 5500 for 2018 are available to the public on the Department of Labor website.

<u>403(b) defined contribution plan</u>

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 Basic Plan may have up to 5% of their contributions matched by Aviva. Employer contributions are made each payroll period. During 2020 Aviva contributed $206,700 to the 403(b) defined contribution plan.

15. LIQUIDITY AND AVAILABILITY

Liquidity and availability of financial assets was as follows:

Cash and cash equivalents	$ 1,187,481
Contract receivables	3,186,899
Investments	5,183,173
	9,557,553
Contract advances	(2,874,690)
Net assets subject to expenditure for specified purpose (see Note 11)	(73,811)
	$ 6,609,052

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.

16. RISKS AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where Aviva is headquartered. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, Aviva received a PPP loan through the CARES Act in the amount of $2,098,930 (see Note 7). Aviva intends on utilizing the full amount of the loan through October 2020 and will be seeking loan forgiveness, which it expects to receive. In addition, the U.S. has experienced significant economic volatility including within financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives.

Aviva provides essential services to the local community. While there has been a slight decrease in productivity in service delivery, Aviva's largest funding source enacted a temporary increase in rates that partially offset decreased services through June 30, 2020. Aviva has continued to maintain its employment levels for staff and service delivery providers. The expansion of its homeless shelter supportive housing program has been slowed due to COVID, resulting in lower revenues. To date, there have been no contractual reductions. However, the financial impact and duration cannot be reasonably estimated at this time, and contract reductions could occur or service delivery further impacted.

17. RESTATEMENT

Management concluded that its accounting in prior years for receivables from and potential settlements with the Department of Mental Health did not accurately reflect the best estimates of these amounts based upon cost reports submitted and interim settlement notices received. Accordingly, management has restated its net assets to reflect its calculated balances as of June 30, 2019.

Amounts restated consist of the following:

	Contract Receivables	Contract Advances	Net Assets Without Donor Restrictions
As previously reported, June 30, 2019	$ 4,082,447	$ 2,050,246	$ 4,819,771
Adjustments	(1,078,076)	(653,341)	(1,731,417)
As restated, June 30, 2019	$ 3,004,371	$ 1,396,905	$ 3,088,354