



THE VILLAGE FAMILY SERVICES, INC.

SINGLE AUDIT REPORTS

JUNE 30, 2024

A Trusted Nonprofit Partner

Main Office: 2698 Mataro Street, Pasadena, CA 91107 Phone: 626.403.6801
www.npocpas.com

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**Independent Auditors' 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
The Village Family Services, Inc.

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 The Village Family Services, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2024, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Village Family Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 The Village Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Village Family Services, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Village Family Services, Inc.'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 financial statements. 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*.

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**Independent Auditors' 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***

continued

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.

Harrington Group

Pasadena, California
December 12, 2024



**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

To the Board of Directors
The Village Family Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Village Family Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of The Village Family Services, Inc.'s major federal programs for the year ended June 30, 2024. The Village Family Services, Inc.'s 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, The Village Family Services, Inc. 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, 2024.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Village Family Services, Inc. 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 The Village Family Services, Inc.'s 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 The Village Family Services, Inc.'s federal programs.

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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**

continued

Auditors' 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 The Village Family Services, Inc.'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 The Village Family Services, Inc.'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 The Village Family Services, Inc.'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 The Village Family Services, Inc.'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 The Village Family Services, Inc.'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.

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal and Non-federal Awards Required by the Uniform Guidance**
continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

Report on Schedule of Expenditures of Federal and Non-Federal Awards Required by the Uniform Guidance

We have audited the financial statements of The Village Family Services, Inc. as of and for the year ended June 30, 2024, and have issued our report thereon dated December 12, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards is presented for the purpose of additional analysis as required by 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) 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 schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
December 12, 2024

THE VILLAGE FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended June 30, 2024

<u>Federal Grantor Agency/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Contract Number</u>	<u>Contract Term</u>	<u>Governmental Revenue Federal</u>	<u>Non-federal</u>	<u>Total Program Expenditures</u>	<u>Pass-through to Sub-recipients</u>
Federal Awards							
U.S. Department of Health and Human Services ("DHHS"):							
Pass-through, State of California, Department of Social Services ("CDSS"):							
Foster Care Title IV-E	93.658	19-01-37, 19-03-20	07/01/23 - 06/30/24	\$ 1,043,916	\$ 5,361,783	\$ 6,405,699	\$ -
Adoption Assistance	93.659	N/A	07/01/23 - 06/30/24	78,000	78,000	156,000	-
Sub-total				<u>1,121,916</u>	<u>5,439,783</u>	<u>6,561,699</u>	<u>-</u>
Direct:							
Unaccompanied Children Program	93.676	90ZU0414	07/01/22 - 06/30/25	2,381,211		2,381,211	
Sub-total				<u>2,381,211</u>	<u>-</u>	<u>2,381,211</u>	<u>-</u>
Total DHHS				<u>3,503,127</u>	<u>5,439,783</u>	<u>8,942,910</u>	<u>-</u>
U.S. Department of Housing and Urban Development ("HUD"):							
Pass-through, The Los Angeles Homeless Services Authority ("LASHA"):							
Continuum of Care Program	14.267	CA2080Y9D001900, CA2081Y9D001900, CA2083Y9D001900	11/01/22 - 10/31/24	673,714		673,714	
Total HUD				<u>673,714</u>	<u>-</u>	<u>673,714</u>	<u>-</u>
Total Federal and Non-federal Awards				<u>\$ 4,176,841</u>	<u>\$ 5,439,783</u>	<u>\$ 9,616,624</u>	<u>\$ -</u>

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of The Village Family Services, Inc. (“the Village”), under the programs of the federal government for the year ended June 30, 2024. The Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Village.

2. **Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. The Village has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. **Pass-through to Sub-recipients**

The Village did not provide any federal awards to sub-recipients.

4. **Other Information**

The Village did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2024.

THE VILLAGE FAMILY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) 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 200.516 Audit Findings of the Uniform Guidance? No

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

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Foster Care Title IV-E 93.658

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.



THE VILLAGE FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024

A Trusted Nonprofit Partner

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Village Family Services, Inc.

Opinion

We have audited the accompanying financial statements of The Village Family Services, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2024, and the related Statements of Activities, Functional Expenses, 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 The Village Family Services, Inc. as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Village Family Services, Inc. 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.

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 The Village Family Services, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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.

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INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards and *Government 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 The Village Family Services, Inc.'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 The Village Family Services, Inc.'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 Matter

Report on Summarized Comparative Information

We have previously audited The Village Family Services, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of The Village Family Services, Inc.'s 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 solely 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 the effectiveness of The Village Family Services, Inc.'s 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 The Village Family Services, Inc.'s internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 12, 2024

THE VILLAGE FAMILY SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024

With comparative totals at June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
ASSETS				
Cash and cash equivalents (Note 2)	\$ 831,982	\$ 3,390,349	\$ 4,222,331	\$ 4,332,512
Accounts receivable	3,690,639		3,690,639	4,083,584
Prepaid expenses and other assets	353,413		353,413	331,580
Investments (Note 4)		2,093,012	2,093,012	-
Right-of-use assets - finance leases (Note 10)	100,883		100,883	21,195
Right-of-use assets - operating leases (Note 10)	1,375,566		1,375,566	1,781,020
Property and equipment (Note 5)	1,098,392		1,098,392	1,080,648
	\$ 7,450,875	\$ 5,483,361	\$ 12,934,236	\$ 11,630,539
TOTAL ASSETS				
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 550,811	\$ -	\$ 550,811	\$ 613,618
Accrued liabilities (Note 6)	1,605,709		1,605,709	1,866,999
Government owned assets (Note 5)	76,741		76,741	90,646
Finance lease liabilities (Note 10)	103,149		103,149	21,246
Operating lease liabilities (Note 10)	1,399,878		1,399,878	1,780,771
Note payable (Note 8)	356,707		356,707	383,254
	4,092,995	-	4,092,995	4,756,534
TOTAL LIABILITIES				
NET ASSETS				
Without donor restrictions:				
Undesignated	740,159		740,159	985,383
Board designated fund (Note 2)	2,617,721		2,617,721	2,617,721
With donor restrictions (Note 12)		5,483,361	5,483,361	3,270,901
	3,357,880	5,483,361	8,841,241	6,874,005
TOTAL NET ASSETS				
	\$ 7,450,875	\$ 5,483,361	\$ 12,934,236	\$ 11,630,539
TOTAL LIABILITIES AND NET ASSETS				

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

THE VILLAGE FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2024
With comparative totals for the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUE AND SUPPORT				
Foster family program	\$ -	\$ 8,762,127	\$ 8,762,127	\$ 7,510,406
Mental health services		7,407,510	7,407,510	7,193,226
Drop-in-center and housing		3,906,187	3,906,187	3,313,739
Contributions and government grants	67,463	1,701,037	1,768,500	488,994
Adoption		156,000	156,000	104,000
Interest income	48,389	23,218	71,607	2,010
Special event	69,138		69,138	30,000
Donated materials (Note 2)	8,764	48,383	57,147	63,552
Investment income	48,821		48,821	
Clothing allowance		24,783	24,783	20,812
Other income	3,705		3,705	15
Support groups			-	1,620
Net assets released from restrictions (Note 12)	19,816,785	(19,816,785)	-	-
TOTAL REVENUE AND SUPPORT	20,063,065	2,212,460	22,275,525	18,728,374
EXPENSES				
Program services	17,539,787		17,539,787	16,453,594
General and administration	2,432,539		2,432,539	3,024,043
Fundraising	342,864		342,864	383,540
TOTAL EXPENSES	20,315,190	-	20,315,190	19,861,177
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(252,125)	2,212,460	1,960,335	(1,132,803)
OTHER CHANGES				
Contract settlement - revenue	6,901		6,901	43,089
Employee retention credit			-	3,057,621
TOTAL OTHER CHANGES	6,901	-	6,901	3,100,710
CHANGE IN NET ASSETS	(245,224)	2,212,460	1,967,236	1,967,907
NET ASSETS, BEGINNING OF YEAR	3,603,104	3,270,901	6,874,005	4,906,098
NET ASSETS, END OF YEAR	\$ 3,357,880	\$ 5,483,361	\$ 8,841,241	\$ 6,874,005

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

THE VILLAGE FAMILY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2024

With comparative totals for year ended June 30, 2023

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2024	2023
Salaries	\$ 8,034,197	\$ 1,443,798	\$ 137,109	\$ 9,615,104	\$ 9,402,739
Payroll taxes and employee benefits	2,056,659	414,545	28,467	2,499,671	2,434,313
Total personnel costs	<u>10,090,856</u>	<u>1,858,343</u>	<u>165,576</u>	<u>12,114,775</u>	<u>11,837,052</u>
Foster parent fees	3,314,407			3,314,407	3,008,032
Client related	1,148,052		12,281	1,160,333	719,121
Outside subcontracting services	1,031,896	71,918	3,338	1,107,152	393,172
Facilities costs	536,464	83,624	7,162	627,250	759,720
Insurance	284,453	44,628	3,930	333,011	348,668
Personnel and recruitment	218,418	100,781	11,354	330,553	403,766
Professional fees	67,251	166,112	59,286	292,649	1,404,611
Meetings and conferences	166,864	25,401	759	193,024	70,075
Memberships and dues	129,283	39,267	16,837	185,387	208,123
Equipment	130,240	8,296	861	139,397	164,496
Mileage and travel	128,457	546	20	129,023	177,932
Telephone	106,381	16,156	1,287	123,824	148,571
Depreciation and amortization	43,750	25,684	251	69,685	41,749
Supplies	49,839	6,550	5,716	62,105	69,146
Fundraising costs			49,360	49,360	15,000
Clothing	42,660			42,660	20,812
Miscellaneous	20,684	4,321	1,167	26,172	35,126
Printing and publications	29,832	(19,088)	3,679	14,423	36,005
TOTAL 2024 FUNCTIONAL EXPENSES	<u><u>\$ 17,539,787</u></u>	<u><u>\$ 2,432,539</u></u>	<u><u>\$ 342,864</u></u>	<u><u>\$ 20,315,190</u></u>	
TOTAL 2023 FUNCTIONAL EXPENSES	<u><u>\$ 16,453,594</u></u>	<u><u>\$ 3,024,043</u></u>	<u><u>\$ 383,540</u></u>		<u><u>\$ 19,861,177</u></u>

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

THE VILLAGE FAMILY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2024
 With comparative totals for year ended June 30, 2023
 continued

	Program Services									Total Program Services	
	Foster Family	ISFC	Mental Health	Enhanced Care Management	Domestic Violence/ Other	Adoption	UC TFC	TAY Services (DIC)	Housing Services	2024	2023
Salaries	\$ 1,037,399	\$ 508,292	\$ 3,637,411	\$ 36,469	\$ 171,679	\$ 65,786	\$ 1,173,140	\$ 531,945	\$ 872,076	\$ 8,034,197	\$ 7,699,071
Payroll taxes and employee benefits	264,363	112,635	911,326	6,313	36,960	15,234	302,383	153,163	254,282	2,056,659	1,993,055
Total personnel costs	1,301,762	620,927	4,548,737	42,782	208,639	81,020	1,475,523	685,108	1,126,358	10,090,856	9,692,126
Foster parent fees	2,264,330	899,228					150,849			3,314,407	3,008,032
Client related	30,639	3,328	230,143		75,739	62	53,467	60,924	693,750	1,148,052	685,785
Outside subcontracting services	40,909	19,704	163,460	1,318	3,869	1,728	31,034	29,362	740,512	1,031,896	329,278
Facilities costs	51,692	28,758	235,406	3,246	32,694	3,792	41,050	58,183	81,643	536,464	633,594
Insurance	41,902	18,409	119,651	873	4,622	2,303	47,273	19,799	29,621	284,453	295,390
Personnel and recruitment	23,277	4,607	130,965	1,819	3,946	992	19,916	4,801	28,095	218,418	229,911
Meetings and conferences	16,524	4,837	51,226	271	6,527	1,176	79,078	3,057	4,168	166,864	57,265
Mileage and travel	50,951	16,834	39,876	33	22	701	11,927	2,461	5,652	128,457	187,054
Equipment	3,725	1,513	28,277	3,706	77,091	150	12,337	1,629	1,812	130,240	151,140
Memberships and dues	33,626	7,450	38,143	192	24,287	3,091	9,749	5,816	6,929	129,283	152,737
Telephone	13,982	6,535	47,063	414	1,594	890	16,742	6,953	12,208	106,381	129,182
Professional fees	7,141	3,666	32,050	251	2,160	463	11,369	3,899	6,252	67,251	740,968
Supplies	3,702	1,144	15,207	97	2,765	148	17,643	4,703	4,430	49,839	58,825
Depreciation and amortization	5,451	982	12,127	9	213	128	21,129	193	3,518	43,750	31,073
Clothing	20,476	4,307			183		17,694			42,660	20,812
Printing and publications	3,828	1,876	13,102	194	439	238	4,166	2,135	3,854	29,832	30,749
Miscellaneous	3,165	23	1,453	1	8	3	14,683	51	1,297	20,684	19,673
Fundraising costs										-	-
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 3,917,082	\$ 1,644,128	\$ 5,706,886	\$ 55,206	\$ 444,798	\$ 96,885	\$ 2,035,629	\$ 889,074	\$ 2,750,099	\$ 17,539,787	
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 4,355,312	\$ 1,490,382	\$ 6,051,345	\$ -	\$ 177,890	\$ 87,845	\$ 1,140,178	\$ 1,067,653	\$ 2,082,989		\$ 16,453,594

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

THE VILLAGE FAMILY SERVICES, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2024

With comparative totals for the year ended June 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,967,236	\$ 1,967,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,060	34,853
(Gain) on investments	(48,821)	-
(Increase) decrease in operating assets:		
Accounts receivable	392,945	(1,101,311)
Prepaid expenses	(21,833)	(17,340)
Amortization of right-of-use assets - operating leases	405,455	77,909
Amortization of right-of-use assets - finance leases	31,626	5,806
Increase (decrease) in operating liabilities:		
Accounts payable	(62,807)	203,215
Accrued liabilities	(261,290)	(231,345)
Government owned assets	(13,905)	
Reduction of lease liability - operating leases	(380,894)	(78,158)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,045,772	861,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(55,804)	(82,255)
Purchase of investments	(2,044,191)	-
NET CASH (USED) BY INVESTING ACTIVITIES	(2,099,995)	(82,255)
CASH FLOWS (TO) FINANCING ACTIVITIES:		
Proceeds from notes payable	-	22,623
Principal payments on note payable	(26,547)	(22,924)
Reduction of lease liability, financing leases	(29,411)	(5,754)
NET CASH (USED) BY FINANCING ACTIVITIES	(55,958)	(6,055)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(110,181)	773,226
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,332,512	3,559,286
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,222,331	\$ 4,332,512
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of	\$ 24,971	\$ 22,662
NON-CASH OPERATING AND FINANCING ACTIVITY:		
Right-of-use assets and liabilities - finance under the continuous implementation of ASC 842	\$ 111,314	\$ -
Right-of-use assets - operating upon adoption of ASC 842	\$ -	\$ 1,858,929
Right-of-use assets- finance upon adoption of ASC 842	\$ -	\$ 27,001

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

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Village Family Services, Inc. (“the Village”) is a leading bilingual family wellness organization, providing a range of services designed to protect children from abuse; preserve families; help heal those traumatized by abuse, neglect, addiction, homelessness, and/or violence; and build a stronger, safer community for all. Our approach focuses on protecting and healing children from trauma, strengthening families through fostering and adoptions, providing support and independence to homeless youth, restoring health and wellness to those in the community ailing, and creating safer, stronger communities. Every day, the Village provides a full spectrum of recovery and wellness programs to help struggling children, youth, adults, and families live happier, more fulfilling lives.

The Village is focused on improving the lives and outcomes for those we serve, especially vulnerable, homeless youth, with an emphasis on LGBTQ+ support and services. Our three (3) key areas of focus are:

- I. Ending Youth Homelessness
 - a. Drop-in Center
 - b. Meeting critical safety and essential living needs
 - c. Education Assistance
 - d. Job Placement and Coaching
 - e. Safe Housing
 - f. Financial Literacy
 - g. LGBTQ+ Support & Engagement
- II. Strengthening Families
 - a. Foster Care Placements
 - b. Adoptions
 - c. Foster Parent Certification
 - d. Parent Coaching
- III. Integrated Behavioral Health
 - a. Outpatient Mental Health – Individual, Group, Family Therapy
 - b. Intensive Treatment Foster Care
 - c. Wraparound Services
 - d. School-based Mental Health

Our bilingual and credentialed clinical staff are trained and certified in numerous evidence-based practices, including Seeking Safety, Crisis Recovery Services, Cognitive Behavioral Therapy, Trauma-Focused Cognitive Behavioral Therapy, Interpersonal Psychotherapy, Positive Parenting, Dialectical Behavioral Therapy, Blues Depression Groups, and Family Systems Therapy.

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

The Village's key program changes lives through an emphasis on recovery, education, and wellness. In fiscal year 23-2024, the Village served nearly 1,951 clients across our programs; placing 265 foster children in loving homes; finalized 18 adoptions; managed 40 intensive service foster care cases with DCFS; served 893 homeless youth; Outreached to 18 schools; treated 636 behavioral health clients; connected 99 UC TFC clients with their sponsors in the US.

2. **Summary of Significant Accounting Policies**

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

Basis of Presentation

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Without Donor Restrictions - Board Designated Fund. In fiscal year 2023, the Village's Board approved the establishment of a Board designated fund. The purpose of the fund is to designate \$2,617,721 of the Employee Retention Credit ("ERC") refund of \$3,057,621 as a reserve. As of June 30, 2024, the amount in the Board-designated fund remains unchanged at \$2,617,721. Due to the complexity of ERC rules, continued development of additional guidelines, and the Internal Revenue Service ("IRS") recent statement that ERC claims meeting certain criteria will have a higher potential for review, the reserve would be used for repayment if the IRS deems part, or all, of the ERC refund is disallowed and must be repaid to the IRS. The Village will use the refund only after the statute of limitations on assessment for the ERC claims has passed. However, if the IRS reviews the ERC claim and determines all or a portion is allowable, then the Board may revise the amount of the reserve based upon the outcome of the IRS review.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in banks and money fund accounts at securities institutions.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. The Village uses the allowance method in order to reserve for potential uncollectible accounts receivable.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. There is no outstanding pledges receivable at June 30, 2024.

Concentration of Credit Risks

The primary accounts receivable balance outstanding at June 30, 2024 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to these receivables is limited, as the majority of the Village's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 39% and 33% of total revenue and support generated by the Village during the year ended June 30, 2024, were derived from the foster family program and mental health services program, respectively.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Property and equipment purchased with government funds are expensed under the appropriate contract/grant when purchased. Additionally, the property and equipment are recorded at cost as an asset and a corresponding liability is recorded as government owned assets to reflect the reversionary interest that the government has in assets purchased with government funds.

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

The Village applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. The Village defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Village further determined an existing lease is an operating lease, which is included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position.

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new impairment model, the current expected credit loss (CECL) model. The model applies to most assets that are measured at amortized cost and requires those assets to be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are to be recognized through an allowance account. ASU 2016-13 also expands existing disclosure requirements. For nonpublic entities, ASU 2019-10 delayed the effective date of ASU 2016-13, and related subsequent ASUs, to fiscal years beginning after December 15, 2022. Management has determined that the adoption did not have a significant impact on the amounts reported in the consolidated financial statements for the year ended June 30, 2024.

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, 2024, the Village recorded total contributions of \$57,147 for donated materials. A number of unpaid volunteers have made significant contributions of their time to the Village. However, since there is no objective basis for measuring and valuing these services, they are not reflected in the accompanying financial statements. Qualitative information about the programs in which the assets were used, valuation techniques and inputs used to determine fair value, and description of donor-imposed restrictions are noted in the following table:

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributed Nonfinancial Assets	Revenue Recognized	Utilization in Program/Activities	Donor Restrictions	Valuation Techniques and Inputs
Books	\$ 470	Books for foster care program clients	Donor restriction for program client	Fair value provided by donor
Clothing	\$ 301	Clothing for Mental Health and Foster Care clients	Donor restriction for program client	Fair value provided by donor
Household Goods	\$ 38,621	Household for DIC, Mental Health and Foster Care Clients	Donor restriction for program client	Fair value provided by donor
Toys	\$ 8,991	Assortment of Toys for Mental Health and Foster Care clients	Donor restriction for program client	Fair value provided by donor
Clothing	\$ 120	Clothing for Mental Health and Foster Care clients	No associated donor restrictions	Fair value provided by donor
Household Goods	\$ 2,134	Assortment of Household goods for DIC, Mental Health and Foster Care Clients	No associated donor restrictions	Fair value provided by donor
Toys	\$ 6,510	Assortment of Toys for Mental Health, Foster Care and Wraparound clients	No associated donor restrictions	Fair value provided by donor
	\$ 57,147			

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

The Village is required to measure donated materials and certain investments at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Income Taxes

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

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

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing the Village'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 that best measures the relative degree of benefit. The Village uses actual salary dollars to allocate indirect costs.

Revenue and Revenue Recognition

The Village recognizes contributions when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and/or a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Village's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Village has incurred expenditures in compliance with specific contract or grant provisions.

Use of Estimates

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

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 the Village's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassification

For comparability, certain June 30, 2023 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2024.

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

The Village regularly monitors liquidity required to meet its program operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Village considers all the general operating expenditures related to its ongoing services of behavioral health, social services, housing, and Transitional Age Youth (“TAY”) services.

In addition to financial assets available to meet general expenditures over the next 12 months, the Village operates with a balanced budget and anticipates collecting additional donor contributions to cover program expenditures not covered by governmental contracts.

The Village also has a \$500,000 line of credit available to meet short-term needs (in addition to those financial assets identified below).

As of June 30, 2024, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs.

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,222,331
Account receivable, net	3,690,639
Investments	<u>2,093,012</u>
Total financial assets at year-end	10,005,982
Less those net assets unavailable for general expenditures within one year:	
Net assets for reinvestment in programs	(4,298,604)
Net assets with donor and time restrictions	<u>(1,184,757)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 4,522,621</u>

4. Investments

Investments are stated at fair value and consist of the following at June 30, 2024:

Cash and cash equivalents	\$1,015,976
Fixed income	<u>1,077,036</u>
	<u>\$2,093,012</u>

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment at June 30, 2024 consist of the following:

	<u>Owned</u>	<u>Government Owned</u>	<u>Agency Total</u>
Land	\$ 300,000	\$ -	\$ 300,000
Land Improvement	26,465		26,465
House	698,236		698,236
Software	58,000		58,000
Leasehold improvement	301,710	30,127	331,837
Machinery and equipment	107,418	46,614	154,032
Furniture and fixtures	<u>62,706</u>		<u>62,706</u>
	1,554,535	76,741	1,631,276
Less: accumulated depreciation	<u>(532,884)</u>		<u>(532,884)</u>
	<u>\$ 1,021,651</u>	<u>\$76,741</u>	<u>\$1,098,392</u>

Depreciation expense for the year ended June 30, 2024 was \$38,060.

6. Accrued Liabilities

Accrued liabilities at June 30, 2024 consist of the following:

LAHSA contract advances	\$ 665,538
Accrued vacation	451,665
Accrued salaries and related liabilities	404,495
Foster care program overpayments	83,309
Other accrued liabilities	<u>702</u>
	<u>\$1,605,709</u>

7. Line of Credit

The Village has a line of credit with a financial institution of \$500,000 at the greater of a floating rate equal to the index rate plus .500%, or the floor rate of 5% with the maturity date of March 10, 2025. The interest rate at June 30, 2024 is 8.50%. There were no amounts outstanding on the line of credit as of June 30, 2024.

8. Note Payables

Notes payable at June 30, 2024 consist of the following:

A mortgage note on the Village's real property located in the city of Huntington Park, CA, and is secured with the related financial institution. The note requires monthly payments of \$3,065, including interest at 4.89%, due February 2037.

\$346,018

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

8. Note Payables, continued

A car loan on the Village's 2022 Ford Transit Connect with the related financial institution. The note requires monthly payments of \$708, including interest at 7.69%, due October 2025.

10,689
\$356,707

As of June 30, 2024, future maturities of notes payable for each of the next five years ending June 30 and thereafter are as follows:

<u>Year ending June 30,</u>	
2025	\$ 20,699
2026	21,749
2027	22,852
2028	23,974
2029	25,227
Thereafter	<u>242,206</u>
	<u>\$356,707</u>

9. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2024 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$1,015,976	\$ -	\$ -	\$1,015,976
Fixed income taxable	<u>1,077,036</u>	<u>-</u>	<u>-</u>	<u>1,077,036</u>
	<u>\$2,093,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,093,012</u>

The fair value of cash and cash equivalents and fixed income taxable have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated materials	<u>\$ -</u>	<u>\$57,147</u>	<u>\$ -</u>	<u>\$57,147</u>

The fair value of donated materials have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

10. Right-of-Use Assets and Lease Liabilities – Operating/Financing Leases

The Village evaluated current contracts to determine which met the criteria of a lease. ROU assets represent the Village's right to use underlying assets for the lease term, and the lease liabilities represent the Village's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases and finance leases, were calculated based on the present value of future lease payments over the lease terms. The Village used a published U.S. Treasury risk free rate of return. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Village's operating leases consist of office space rental and financing leases consist of vehicles.

The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of June 30, 2024. No additional options have been included.

Cash paid for operating leases and financing leases for the year ended June 30, 2024 was \$439,130 and \$36,357 respectively. There were no non-cash financing transactions related to leasing during the year ended June 30, 2024.

	<u>Operating</u>	<u>Financing</u>
Weighted average remaining lease terms	3.53 years	3.58 years
Weighted average discount rate:	3.71%	4.92%

Lease expense under operating leases for the year ended June 30, 2024 was \$428,719.

Future maturities under operating and financing leases are as follows:

<u>Year ending June 30,</u>	<u>Operating</u>	<u>Financing</u>
2025	\$ 452,300	\$ 34,010
2026	410,038	28,340
2027	324,644	24,576
2028	<u>305,754</u>	<u>24,576</u>
	1,492,736	111,502
Less: Present value discount	<u>(92,858)</u>	<u>(8,353)</u>
	<u>\$1,399,878</u>	<u>\$103,149</u>

The underlying ROU assets related to the above liabilities are as follows:

	<u>Operating</u>	<u>Financing</u>
ROU asset balance at July 1, 2023	\$1,781,020	\$ 21,195
Add: additions	-	111,314
Less: amortization of leased assets	<u>(405,454)</u>	<u>(31,626)</u>
ROU asset balance at June 30, 2024	<u>\$1,375,566</u>	<u>\$100,883</u>

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

Contracts

The Village'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. Any liabilities, as a result of audit and/or disallowance are recorded when they become known. The Village has no provision on its financial statements for the possible disallowance of program costs related to its governmental contracts and grants.

Paycheck Protection Program Loan

The U.S. Small Business Administration ("SBA") reserves the right to review any loan in their discretion and the SBA will review a loan of any size at any time. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. The Paycheck Protection Program ("PPP") loan documentation is to be retained for six years after the date the loan is forgiven or repaid in full.

Litigations

During the fiscal year ended June 30, 2024, The Village was named in two lawsuits filed by former employees. One lawsuit relates to the Private Attorneys General Act ("PAGA"), and the other pertains to a PAGA and potential Class Action case. The Village is awaiting mediation, scheduled for April 2025. As of the reporting date, the Village cannot reasonably estimate the potential financial impact of these claims, as the outcome of the mediation proceedings is uncertain.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 consist of the following:

Purpose Restrictions:

Foster Family and Intensive Service Foster Care – reinvestment in programs	\$3,255,709
Wraparound – reinvestment in programs	983,458
Enhancing Cognitive-Behavioral Knowledge to Support High-Risk Youth	450,000
Other	378,426
Ending Youth Homelessness	137,822
Land at Huntington Park site	130,000
Software Support	77,513
Adoption	59,437
Mentorship Program	10,996
Total net assets with donor restrictions	<u>\$5,483,361</u>

For the year ended June 30, 2024, net assets released from program restrictions \$19,816,785.

continued

THE VILLAGE FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

13. Employee Benefit Plan

The Village has a 403(b) plan available to all full-time employees after one year of service. Employees may contribute any whole percentage of their annual compensation provided that it does not exceed maximum amounts as permitted by law. The Village makes matching contributions dollar to dollar up to 4% of eligible employees' annual salaries. Employer contributions under this plan for the year ended June 30, 2024 were \$243,368. The Village also has a deferred compensation plan under Section 457 of the Internal Revenue Code for agency executives. Employer contributions under this plan for the year ended June 30, 2024 were \$84,875.

14. Subsequent Events

As of the reporting date, The Village is involved in pending PAGA and Class Action-related litigation. The Village is actively engaged in the mediation process to seek resolution of these claims. However, the outcome of the mediation process and its potential impact on The Village's financial position and results of operations cannot be reasonably estimated at this time.

Management has evaluated subsequent events through December 12, 2024, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.