

**VISTA DEL MAR CHILD AND  
FAMILY SERVICES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

**VISTA DEL MAR CHILD AND FAMILY SERVICES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Vista Del Mar Child and Family Services

### **Opinion**

We have audited the financial statements of Vista Del Mar Child and Family Services (Vista Del Mar), which comprise the statement of financial position as of June 30, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Vista Del Mar as of June 30, 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vista Del Mar 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 Vista Del Mar's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

To the Board of Directors  
Vista Del Mar Child and Family Services

In performing an audit in accordance with GAAS, 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 Vista Del Mar'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 Vista Del Mar'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.

*Green Hasson & Janks LLP*

December 15, 2022  
Los Angeles, California

## VISTA DEL MAR CHILD AND FAMILY SERVICES

### STATEMENT OF FINANCIAL POSITION

June 30, 2022

<b>ASSETS</b>	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	\$ 998,208	\$ -	\$ 998,208
Restricted Cash	874,032	-	874,032
Investments (Note 3)	10,878,326	9,957,186	20,835,512
Accounts Receivable (Net)	12,173,476	-	12,173,476
Pledges Receivable (Net) (Note 4)	2,122,289	170,000	2,292,289
Prepaid Expenses and Other Assets	641,796	-	641,796
Beneficial Interest in Charitable Remainder Trusts (Notes 5 and 6)	-	4,540,601	4,540,601
Beneficial Interest in Perpetual Trust (Note 6)	-	712,559	712,559
Property and Equipment (Net) (Note 7)	21,551,788	-	21,551,788
<b>TOTAL ASSETS</b>	<b>\$ 49,239,915</b>	<b>\$ 15,380,346</b>	<b>\$ 64,620,261</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 1,043,284	\$ -	\$ 1,043,284
Accrued Liabilities (Note 8)	5,914,811	-	5,914,811
Lines of Credit (Note 10)	2,900,000	-	2,900,000
Deferred Revenue (Note 11)	2,395,432	-	2,395,432
Annuities Payable (Note 12)	14,251	-	14,251
<b>TOTAL LIABILITIES</b>	<b>12,267,778</b>	<b>-</b>	<b>12,267,778</b>
<b>NET ASSETS:</b>			
Without Donor Restrictions	36,972,137	-	36,972,137
With Donor Restrictions (Note 14)	-	15,380,346	15,380,346
<b>TOTAL NET ASSETS</b>	<b>36,972,137</b>	<b>15,380,346</b>	<b>52,352,483</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 49,239,915</b>	<b>\$ 15,380,346</b>	<b>\$ 64,620,261</b>

The Accompanying Notes are an Integral Part of These Financial Statements

## VISTA DEL MAR CHILD AND FAMILY SERVICES

### STATEMENT OF ACTIVITIES Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PROGRAM SERVICE REVENUE:</b>			
Governmental Revenue			
Residential	\$ 11,338,502	\$ -	\$ 11,338,502
Education	4,321,450	-	4,321,450
Outpatient	9,147,211	-	9,147,211
Community-Based Services	8,467,571	-	8,467,571
Client Service Fees	1,058,374	-	1,058,374
<b>TOTAL PROGRAM SERVICE REVENUE</b>	<b>34,333,108</b>	<b>-</b>	<b>34,333,108</b>
<b>PUBLIC SUPPORT:</b>			
Grants and Contributions	1,692,167	2,640,313	4,332,480
Legacies and Bequests	46,307	340,916	387,223
Special Events (Net of Direct Donor Benefit Expenses of \$59,974)	769	75,697	76,466
In-Kind Contributions	954,390	-	954,390
<b>TOTAL PUBLIC SUPPORT</b>	<b>2,693,633</b>	<b>3,056,926</b>	<b>5,750,559</b>
<b>TOTAL PROGRAM SERVICE REVENUE AND PUBLIC SUPPORT</b>	<b>37,026,741</b>	<b>3,056,926</b>	<b>40,083,667</b>
<b>OPERATING EXPENSES:</b>			
Program Services	37,198,890	-	37,198,890
Management and General	6,458,567	-	6,458,567
Development	1,525,267	-	1,525,267
<b>TOTAL OPERATING EXPENSES</b>	<b>45,182,724</b>	<b>-</b>	<b>45,182,724</b>
Net Assets Released from Donor Restrictions	5,717,802	(5,717,802)	-
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (LOSS)</b>	<b>(2,438,181)</b>	<b>(2,660,876)</b>	<b>(5,099,057)</b>
Investment Return (Net)	(1,448,364)	(841,774)	(2,290,138)
Other Income	399,616	-	399,616
Change in Value of Beneficial Interest in:			
Charitable Remainder Trusts	-	(122,869)	(122,869)
Perpetual Trust	-	91,847	91,847
<b>CHANGE IN NET ASSETS</b>	<b>(3,486,929)</b>	<b>(3,533,672)</b>	<b>(7,020,601)</b>
Net Assets - Beginning of Year	40,459,066	18,914,018	59,373,084
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 36,972,137</b>	<b>\$ 15,380,346</b>	<b>\$ 52,352,483</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**VISTA DEL MAR CHILD AND FAMILY SERVICES**

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022

	Program Services						Supporting Services			Total Expenses
	Residential	Educational	Outpatient	Community Based Services	Other Program	Total	Management and General	Development	Total	
Salaries and Wages	\$ 6,065,002	\$ 3,355,392	\$ 6,176,586	\$ 3,920,283	\$ 665,098	\$ 20,182,361	\$ 2,416,446	\$ 617,147	\$ 3,033,593	\$ 23,215,954
Payroll Taxes and Employee Benefits	1,686,454	764,052	1,309,804	805,174	96,340	4,661,824	431,370	108,868	540,238	5,202,062
<b>TOTAL PERSONNEL COSTS</b>	<b>7,751,456</b>	<b>4,119,444</b>	<b>7,486,390</b>	<b>4,725,457</b>	<b>761,438</b>	<b>24,844,185</b>	<b>2,847,816</b>	<b>726,015</b>	<b>3,573,831</b>	<b>28,418,016</b>
Occupancy	1,144,819	858,098	796,587	514,598	83,882	3,397,984	293,633	154,724	448,357	3,846,341
Contract and Professional Services	166,806	26,678	120,061	325,091	173,261	811,897	2,132,581	374,767	2,507,348	3,319,245
Direct Services	491,346	154,579	260,459	2,008,328	68,917	2,983,629	18,872	65,323	84,195	3,067,824
Depreciation	279,627	241,436	58,903	47,539	4,471	631,976	507,214	4,022	511,236	1,143,212
Supplies	68,154	163,751	254,265	410,809	47,925	944,904	154,405	21,966	176,371	1,121,275
In-Kind Expense	-	-	-	950,710	-	950,710	-	3,680	3,680	954,390
Transportation Costs	65,022	786,583	25,833	32,144	5	909,587	1,144	364	1,508	911,095
Food and Provisions	569,144	107,943	837	12,102	-	690,026	253	430	683	690,709
Liability Insurance	24,114	49,031	58,260	37,669	12,122	181,196	278,441	-	278,441	459,637
Telephone and Postage	23,926	21,912	100,822	138,255	3,628	288,543	103,463	5,596	109,059	397,602
Publications, Printing and Artwork	14,924	22,445	5,531	97,019	100,914	240,833	33,561	91,233	124,794	365,627
Conferences and Meetings	33,759	34,663	29,738	115,658	17,577	231,395	28,602	59,805	88,407	319,802
Miscellaneous	4,932	11,097	21,328	30,359	24,309	92,025	58,582	17,342	75,924	167,949
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 10,638,029</b>	<b>\$ 6,597,660</b>	<b>\$ 9,219,014</b>	<b>\$ 9,445,738</b>	<b>\$ 1,298,449</b>	<b>\$ 37,198,890</b>	<b>\$ 6,458,567</b>	<b>\$ 1,525,267</b>	<b>\$ 7,983,834</b>	<b>\$ 45,182,724</b>
						82%	15%	3%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

## VISTA DEL MAR CHILD AND FAMILY SERVICES

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

#### **CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ (7,020,601)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Adjustment to Los Angeles Department of Mental Health Reserve	245,117
Depreciation	1,143,212
Bad Debt Expense	15,280
Realized and Unrealized Losses on Investments	2,956,251
Change in Value of Beneficial Interests in Charitable Remainder Trusts	122,869
Change in Value of Beneficial Interest in Perpetual Trust	(91,847)
Change in Present Value Discount of Pledges Receivable	113,573
(Increase) Decrease in:	
Accounts Receivable	(3,188,727)
Pledges Receivable	55,162
Prepaid Expenses and Other Assets	201,720
Increase (Decrease) in:	
Accounts Payable	(652,314)
Accrued Liabilities	145,396
Deferred Revenue	510,772
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(5,444,137)</b>

#### **CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Property and Equipment	(337,709)
Purchase of Investments	(1,371,910)
Proceeds from Sale of Investments	1,381,844
Reinvested Interest and Dividends	(739,622)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,067,397)</b>

#### **CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments to Annuitants	(3,850)
Distributions from Perpetual Trust	550,000
Distribution from Charitable Remainder Trusts	19,089
Contributions for Campus Improvements	500,000
Proceeds From Lines of Credit	1,900,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,965,239</b>

#### **NET DECREASE IN CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents - Beginning of Year	5,418,535
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,872,240</b>

#### **CASH AND CASH EQUIVALENTS INCLUDES:**

Cash and Cash Equivalents	\$ 998,208
Restricted Cash	874,032
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,872,240</b>

#### **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash Paid During the Year for Interest	\$ 1,702
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The Accompanying Notes are an Integral Part of These Financial Statements



# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 1 - ORGANIZATION

Founded in 1908, Vista Del Mar Child and Family Services (Vista Del Mar) originally served as an orphanage for children whose parents could not care for them due to illness, poverty or death. As societal needs have evolved, Vista Del Mar continues to keep pace by fulfilling the changing needs of the community. More than a century later, Vista Del Mar provides a breadth of programs and services, including an array of offerings for children with autism, developmental disorders and troubled family situations. Enhanced over the years by strategic mergers with such organizations as Family Service of Santa Monica, the Reiss-Davis Child Study Center, Julia Ann Singer Center, and Home-SAFE, and the establishment of a pre-K through 12<sup>th</sup> grade Non-Public School, Vista Del Mar each year serves more than 5,000 children and families in a unique environment of clinical excellence and caring professionalism. More information on Vista Del Mar can be found at its website at [www.vistadelmar.org](http://www.vistadelmar.org).

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

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

#### (b) NET ASSETS

Net assets, revenues, gains, and losses are classified 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 available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-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.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Vista Del Mar has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2022 approximates its fair value. Restricted cash at June 30, 2022 was \$874,032 and is held in certificates of deposit as the terms of a letter of credit with a bank [See Note 8 (c)] require a reserve to be maintained in a separate bank account.

#### (d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. The change in unrealized gains and losses is included in investment return (net) in the statement of activities and represents the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

#### (e) REVENUE RECOGNITION, ACCOUNTS AND PLEDGES RECEIVABLE

Vista Del Mar recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Vista Del Mar reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable, and are adjusted annually.

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 met. At June 30, 2022, Vista Del Mar has a conditional contribution of \$750,000.

Discount rates (ranging from 3.0% to 7.5%) have been used to calculate the present value of pledges receivable, which amounted to \$113,573 at June 30, 2022. At June 30, 2022, Vista Del Mar evaluated the collectability of pledges receivable and an allowance for doubtful pledges of \$14,138 was established.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(e) REVENUE RECOGNITION, ACCOUNTS AND PLEDGES RECEIVABLE** (continued)

Vista Del Mar's governmental revenue is primarily derived from cost reimbursement grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when Vista Del Mar has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. Vista Del Mar has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as deferred revenue in the statement of financial position.

Vista Del Mar's revenues from contracts with customers are primarily generated from adoption service fees and graduate school tuition and are included in client service fees in the statement of activities. Adoption service fees, including home study fees, are recognized over the period of the home study process. Tuition is recognized as the educational services are provided, and is presented net of student financial aid of \$213,052. There were no significant adoption or tuition receivables or deferred revenue at June 30, 2022.

Vista Del Mar performs services under contracts that are administered by the Los Angeles County Department of Mental Health (LACDMH) involving local, state and federal government funds. Contract service payments are generally provided monthly, but are subject to approval by the various funding agencies. Final settlements with the various funding agencies are taking from one to ten years, with initial findings in many cases not available for three or four years after funding. As a result, Vista Del Mar establishes reserves for claims made, for disputed claims and for unexamined years. At June 30, 2022, the LADMH reserve of \$2,071,350 is included in accounts receivable.

#### **(f) CONCENTRATIONS**

Vista Del Mar places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Vista Del Mar has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(f) CONCENTRATIONS** (continued)

The accounts receivable balance outstanding at June 30, 2022 consists primarily of government contract receivables due from county, state, and federal granting agencies. As a result, concentration of credit risks with respect to such receivables is limited.

Approximately 83% of Vista Del Mar's program service revenue and public support is provided by various government agencies. Vista Del Mar anticipates that it will continue to run these programs although there can be no assurance that Vista Del Mar will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

#### **(g) LEGACIES AND BEQUESTS**

Vista Del Mar has been designated as the beneficiary in numerous wills. Bequests are not recognized as support until all of the following conditions are met: the demise of a testator, the amount of the bequest is known, and Vista Del Mar is certain that, based on the estates' net assets, the amount bequeathed is realizable.

#### **(h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS**

Vista Del Mar holds remainder interests in various other irrevocable charitable remainder trusts. Vista Del Mar recognizes contribution revenue with donor restrictions and, as an asset, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the asset to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts.

#### **(i) BENEFICIAL INTEREST IN PERPETUAL TRUST**

A donor has established and funded a trust, which is administered by trustees other than Vista Del Mar. Under the terms of the trust, Vista Del Mar has the irrevocable right to receive all of the income earned on the trust assets either in perpetuity or for the life of the trust. Vista Del Mar does not control the assets held by the outside trust. Annual distributions from the trust are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value, as reported by the trustees, are reflected in the statement of activities as a change in value of beneficial interest in perpetual trust. The carrying value of Vista Del Mar's beneficial interest in the perpetual trust at June 30, 2022 is \$712,559.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) 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. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

The estimated useful lives are as follows:

Building and Improvements	10 - 30 Years
Land Improvements	30 Years
Electronic Clinical Records System	10 Years
Leasehold Improvements	10 - 30 Years
Furniture and Equipment	3 - 30 Years
Vehicles	5 Years

Property and equipment funded by government contracts where title to the assets is retained by the government agencies are not capitalized.

Expenditures for repairs and maintenance are charged to expense as incurred while renewals and betterments are capitalized.

#### (k) LONG-LIVED ASSETS

Vista Del Mar reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2022.

#### (l) ANNUITIES PAYABLE

Assets contributed by donors under gift annuity agreements and controlled by Vista Del Mar are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. The excess of the cash received over the present value of the annuity obligation is recorded as contribution revenue on the date the annuity gift is received and the liability is determined. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. Amortization of the discount and changes in actuarial assumptions are included in the change in value of annuities payable in the statement of activities.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) IN-KIND CONTRIBUTIONS

Contributions of donated non-cash assets are recorded at fair value in the period received and expensed when utilized. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are valued based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

A substantial number of volunteers have donated significant amounts of their time to Vista Del Mar. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

For the year ended June 30, 2022, in-kind contributions were comprised of the following:

<b>Natural Expense Category</b>	<b>Restrictions</b>	<b>Valuation</b>	<b>Activity</b>	<b>Amount</b>
Professional Services	None	Standard Hourly Rates Charged by the Service Provider	Community-Based Services and Development	\$ 948,780
Tickets and Gift Cards	None	Published Ticket Prices and Value of Gift Cards	Community-Based Services and Development	3,180
Clothing	None	Retail Price	Community-Based Services	1,700
Supplies	None	Standard Industry Price	Community-Based Services	730
<b>TOTAL IN-KIND CONTRIBUTIONS</b>				<b>\$ 954,390</b>

#### (n) INCOME TAXES

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

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 740, *Uncertainty in Income Taxes*, Vista Del Mar recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, Vista Del Mar performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Vista Del Mar'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. Vista Del Mar uses full-time equivalents to allocate indirect costs.

#### (p) 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. Accordingly, actual results could differ from those estimates.

#### (q) NEW ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-06, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organization, including transparency on how those are used and how they are valued. Vista Del Mar implemented this ASU during the year ended June 30, 2022. There was no significant impact to Vista Del Mar's financial statements as a result of the implementation of the ASU. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For Vista Del Mar, the ASU will be effective for the year ending June 30, 2023.

#### (r) SUBSEQUENT EVENTS

Vista Del Mar has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 15, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 3 - INVESTMENTS

Investments at June 30, 2022 consist of the following:

Cash Equivalents	\$ 24,354
Equities - Common Stock	74,506
Fixed Income Mutual Funds	8,239,557
Equities - Exchange Traded Fund	7,125,957
Fixed Income - Exchange Traded Fund	102,527
Other Exchange Traded Fund	2,242,359
Alternative Investments	2,163,155
Certificates of Deposit	863,097
<b>TOTAL INVESTMENTS</b>	<b>\$ 20,835,512</b>

At June 30, 2022 \$863,097 is held in certificates of deposit as the terms of a letter of credit with a bank [See Note 8 (c)] require a reserve to be maintained in a separate bank account.

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 are due to be collected as follows:

Due within One Year	\$ 670,000
Due in One to Five Years	1,750,000
<b>GROSS PLEDGES RECEIVABLE</b>	<b>2,420,000</b>
Less: Present Value Discount	(113,573)
Less: Allowance for Doubtful Pledges	(14,138)
<b>PLEDGES RECEIVABLE (NET)</b>	<b>\$ 2,292,289</b>

### NOTE 5 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

Vista Del Mar holds remainder interests in irrevocable charitable remainder trusts. Vista Del Mar is the beneficiary in varying amounts of the distributions of the trusts. Assets held in charitable remainder trusts totaled \$4,540,601 at June 30, 2022, representing the portion of the net present value of the charitable remainder trusts for which Vista Del Mar is the designated beneficiary.

Vista Del Mar has been named as a beneficiary for several living trusts and wills. Due to the conditional nature of these trusts and wills, no amounts have been recorded on the accompanying financial statements.



# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 6 - FAIR VALUE MEASUREMENTS

Vista Del Mar has implemented the fair value accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability). Investments in alternative investments are valued using net asset value (NAV) per share of units held by Vista Del Mar.

The following table presents information about Vista Del Mar's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2022	Fair Value Measurements Using				Net Asset Value Per Share or its Equivalent (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash Equivalents	\$ 24,354	\$ 24,354	\$ -	\$ -	\$ -	
Common Stock	74,506	74,506	-	-	-	
Mutual Funds - Fixed Income	8,239,557	8,239,557	-	-	-	
Exchange Traded Funds:						
Equities	7,125,957	7,125,957	-	-	-	
Fixed Income	102,527	102,527	-	-	-	
Other	2,242,359	2,242,359	-	-	-	
Alternative Investments	2,163,155	-	-	-	2,163,155	
Certificates of Deposit	863,097	-	863,097	-	-	
Beneficial Interest in:						
Charitable Remainder Trusts	4,540,601	-	-	4,540,601	-	
Perpetual Trust	712,559	-	-	712,559	-	
<b>TOTAL ASSETS</b>	<b>\$ 26,088,672</b>	<b>\$ 17,809,260</b>	<b>\$ 863,097</b>	<b>\$ 5,253,160</b>	<b>\$ 2,163,155</b>	
Annuities Payable	\$ 14,251	\$ -	\$ -	\$ 14,251	\$ -	
<b>TOTAL LIABILITIES</b>	<b>\$ 14,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,251</b>	<b>\$ -</b>	

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the certificates of deposit within Level 2 inputs were determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and considering the credit-worthiness of the issuer.

The fair values of beneficial interests within Level 3 inputs were determined as described in Notes 2(h) and 2(i).

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

The fair value of annuities payable within Level 3 inputs was determined as described in Note 2(I).

The fair value of the investment reported at NAV is a hedge fund. The fund is not redeemable and provides distributions only upon liquidation of the underlying assets by respective fund managers. There are no unfunded commitments at June 30, 2022.

Changes in Level 3 measurements for the year ended June 30, 2022 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	Annuities Payable
Beginning Balance	\$ 4,682,559	\$ 1,170,712	\$ 18,101
Contributions	-	-	-
Payments/Distributions	(19,089)	(550,000)	(3,850)
Change in Value	(122,869)	91,847	-
<b>ENDING BALANCE</b>	<b>\$ 4,540,601</b>	<b>\$ 712,559</b>	<b>\$ 14,251</b>

### NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consist of the following:

Building and Improvements	\$ 27,262,447
Land and Improvements	2,029,592
Furniture and Equipment	1,090,277
Construction in Progress	593,207
Vehicles - Leased	2,003,341
Leasehold Improvements	254,266
Electronic Clinical Records System	323,356
Vehicles	513,622
<b>TOTAL</b>	34,070,108
Less: Accumulated Depreciation	(12,518,320)
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b>\$ 21,551,788</b>

Depreciation expense for the year ended June 30, 2022 was \$1,143,212. At June 30, 2022, the estimated costs to complete the construction in progress were approximately \$300,000.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consist of the following:

Department of Mental Health Overpayments	\$	2,134,478
Accrued Vacation		1,259,237
Workers' Compensation Reserve*		374,642
Department of Child and Family Services		
Overpayments		952,377
Accrued Payroll		856,760
Other Accrued Expenses		337,317
<b>TOTAL ACCRUED LIABILITIES</b>	<b>\$</b>	<b>5,914,811</b>

\* Related to the workers' compensation reserve, Vista Del Mar has a standby letter of credit with a bank in the amount of \$863,097, secured by certificates of deposit (see Note 3).

### NOTE 9 - RETIREMENT PLANS

#### (a) TAX-DEFERRED ANNUITY PLAN

Vista Del Mar sponsors a tax-deferred annuity plan under Internal Revenue Code Section 403(b). This plan was established as a companion to the Employee Benefit Plan of Reiss-Davis. The tax-deferred annuity plan is no longer open to new participants. Vista Del Mar does not contribute to this plan.

#### (b) 403(b) RETIREMENT PLAN

Vista Del Mar has an Internal Revenue Code Section 403(b) plan which covers all eligible employees. Vista Del Mar makes non-elective contributions of 3% of each employee's salary to this plan annually. Contributions to this plan totaled \$616,793 for the year ended June 30, 2022.

### NOTE 10 - LINES OF CREDIT

Vista Del Mar has a line of credit facility in the amount of \$2,500,000 that matures in June 2023. The line of credit was secured to finance the completion of Vista Del Mar's performing arts center. The line of credit bears interest at 1% above the index rate (4.75% at June 30, 2022) and is secured by a deed of trust on property held by Vista Del Mar. At June 30, 2022, the balance outstanding on the line of credit was \$1,400,000.

Vista Del Mar has a margin account line against the investment portfolio. Under the terms of the related agreement, Vista Del Mar can borrow up to 50% of the value of liquid investments in the portfolio. At June 30, 2022, the amount available to draw on the margin line was \$7,404,630. Interest on the line of credit varies from a minimum of .2% to 2% depending on the amount of the average balance. At June 30, 2022 \$1,500,000 had been drawn on the margin account and the interest rate was .25%.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 11 - DEFERRED REVENUE

Deferred revenue of \$2,395,432 at June 30, 2022 represents unexpended contract funds from the County of Los Angeles Department of Children and Family Services and the Department of Health and Human Services.

### NOTE 12 - ANNUITIES PAYABLE

Vista Del Mar is in receipt of several charitable gifts from individuals. These gifts stipulate that annuity payments per year must be made to the donor until the time of death. The gifts are invested in money market funds and fixed income securities. All gift annuities are actuarially calculated based on the life expectancy of the donor using the State of California Insurance Commission Committee on Gift Annuities actuarial tables. The value of annuities at the time of the gifts totaled \$50,000. The corresponding reasonably commensurate value at June 30, 2022 is \$14,251.

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### (a) OBLIGATIONS UNDER OPERATING LEASES

Vista Del Mar leases facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

#### Year Ended June 30

2023	\$	401,647
2024		190,727
2025		160,916
2026		113,129
Thereafter		<u>20,982</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>887,401</u></b>

Rent expense under operating leases for the year ended June 30, 2022 was \$370,816.

#### (b) CONTRACTS

Vista Del Mar's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. Vista Del Mar has made a provision for the possible disallowance of program costs on its financial statements by establishing a reserve for its contracts balances with LADMH [See Note 2(e)].

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

#### (c) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Vista Del Mar becomes involved in various legal proceedings. Some of these proceedings may result in judgments being assessed against Vista Del Mar which, from time to time, may have an impact on changes in net assets. Vista Del Mar believes that these proceedings, individually or in the aggregate, would not have a material effect on the accompanying financial statements.

### NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 consist of the following:

Subject to the Passage of Time:	
Beneficial Interest in Charitable Remainder Trusts	\$ 4,540,601
Subject to Expenditure for Specified Purpose:	
Facilities	931,653
Program Services	1,725,233
Subject to Appropriation	
Unspent Endowment Earnings	701,801
Not Subject to Appropriation or Expenditure:	
Donor Restricted Endowment Funds	6,768,499
Beneficial Interest in Perpetual Trust	<u>712,559</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 15,380,346</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Expiration of Time Restrictions:	
Perpetual Trust Distributions	\$ 550,000
Charitable Remainder Trust Distributions	19,089
Satisfaction of Purpose Restrictions:	
Facilities	134,030
Program Services	4,708,112
Donor Releases from Endowments	<u>306,571</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 5,717,802</u></b>

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 15 - ENDOWMENTS

Vista Del Mar's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to Vista Del Mar, or a term endowment, which is to provide income for a specified period to Vista Del Mar. Beneficial interests in charitable remainder trusts and perpetual trusts are not considered part of Vista Del Mar's endowments.

Vista Del Mar's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for Vista Del Mar's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Vista Del Mar's Board of Directors has approved a spending policy that will distribute a specific payout rate (5%) of the endowment base (calculated as the three-year average market value of endowment funds) to support Vista Del Mar's programs. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

<b>Endowment Net Asset Composition At June 30, 2022</b>	<u>With Donor Restrictions</u>
Donor-Restricted:	
Original Donor-Restricted Perpetual Gifts	\$ 6,768,499
Accumulated Investment Return (Net)	<u>701,801</u>
<b>ENDOWMENT NET ASSETS - JUNE 30, 2022</b>	<u><u>\$ 7,470,300</u></u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2022, Vista Del Mar had no underwater endowments.

# VISTA DEL MAR CHILD AND FAMILY SERVICES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### NOTE 15 - ENDOWMENTS (continued)

For the year ended June 30, 2022, Vista Del Mar endowment net assets changed as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets - Beginning of Year	\$ 8,618,645
Donor-Approved Releases	(131,713)
Investment Return (Net)	(841,774)
Appropriations for Expenditure	<u>(174,858)</u>
<b>ENDOWMENT NET ASSETS - END OF YEAR</b>	<b><u>\$ 7,470,300</u></b>

Investment return related to Vista Del Mar's donor-restricted endowments is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

### NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by Vista Del Mar at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2022:	
Cash and Cash Equivalents	\$ 998,208
Investments	10,878,326
Accounts Receivable Due within One Year (Net)	12,173,476
Pledges Receivable (Net)	<u>2,122,289</u>
<b>TOTAL</b>	<b>26,172,299</b>
Less: Certificates of Deposit Securing a Letter of Credit (Note 3)	<u>(863,097)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 25,309,202</u></b>

Vista Del Mar regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Vista Del Mar is substantially supported by contributions with donor restrictions and government grants and contracts. As part of Vista Del Mar's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Vista Del Mar has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities, as well as two line of credit facilities.