



Walden
Family
Services

Foster. Adopt. Support.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



Leaf & Cole, LLP
Certified Public Accountants

**WALDEN FAMILY SERVICES
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Walden Family Services

Report on the Financial Statements

We have audited the accompanying financial statements of Walden Family Services, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walden Family Services as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Walden Family Services' internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Walden Family Services' 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 Walden Family Services' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
November 18, 2021

**WALDEN FAMILY SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Assets:</u> (Notes 2, 4 and 6)		
Cash and cash equivalents	\$ 5,155,926	\$ 4,650,388
Accounts receivable and other receivables, net	1,916,271	1,712,906
Contributions receivable	32,404	118,556
Prepaid expenses and other assets	447,088	465,343
Total Current Assets	<u>7,551,689</u>	<u>6,947,193</u>
<u>Noncurrent Assets:</u> (Notes 2, 5 and 6)		
Deposits	190,058	200,491
Property and equipment, net	40,028	25,808
Total Noncurrent Assets	<u>230,086</u>	<u>226,299</u>
TOTAL ASSETS	<u>\$ 7,781,775</u>	<u>\$ 7,173,492</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 8)		
Overpayments	\$ 330,563	\$ 251,561
Accounts payable - Resource parents	182,287	183,560
Accounts payable and accrued expenses	1,161,254	786,444
Accrued compensated absences	326,350	257,651
Deferred revenue	988,850	981,550
Total Current Liabilities	<u>2,989,304</u>	<u>2,460,766</u>
Total Liabilities	<u>2,989,304</u>	<u>2,460,766</u>
<u>Commitments and Contingencies</u> (Notes 6 and 8)		
<u>Net Assets:</u> (Notes 2 and 7)		
Without donor restrictions	4,762,150	4,661,395
With donor restrictions	30,321	51,331
Total Net Assets	<u>4,792,471</u>	<u>4,712,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,781,775</u>	<u>\$ 7,173,492</u>

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

**WALDEN FAMILY SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Revenue:</u>						
Transitional housing program revenue	\$ 10,595,971	\$ -	\$ 10,595,971	\$ 9,914,095	\$ -	\$ 9,914,095
Resource family placements	4,997,753	-	4,997,753	4,877,343	-	4,877,343
Nurturing parenting program revenue	544,872	-	544,872	340,558	-	340,558
Adoption revenue	306,600	-	306,600	235,000	-	235,000
Independent living revenue	301,668	-	301,668	327,393	-	327,393
Mental health revenue	280,613	-	280,613	320,762	-	320,762
Other income	50,179	-	50,179	18,327	-	18,327
Earned income tax credit revenue	13,850	-	13,850	-	-	-
Interest income	14,481	-	14,481	21,908	-	21,908
CAPTS revenue	9,040	-	9,040	9,950	-	9,950
Resource family approval program revenue	-	-	-	12,000	-	12,000
Total Operating Revenue	<u>17,115,027</u>	<u>-</u>	<u>17,115,027</u>	<u>16,077,336</u>	<u>-</u>	<u>16,077,336</u>
<u>Contributions and Public Support:</u>						
Grants and contributions	797,775	61,221	858,996	527,730	664,853	1,192,583
Special events, net of direct donor costs of \$-0- and \$43,045, respectively	-	-	-	550,905	-	550,905
Net assets released from restrictions	82,231	(82,231)	-	700,536	(700,536)	-
Total Contributions and Public Support	<u>880,006</u>	<u>(21,010)</u>	<u>858,996</u>	<u>1,779,171</u>	<u>(35,683)</u>	<u>1,743,488</u>
Total Operating Revenue, Contributions and Public Support	<u>17,995,033</u>	<u>(21,010)</u>	<u>17,974,023</u>	<u>17,856,507</u>	<u>(35,683)</u>	<u>17,820,824</u>
<u>Expenses:</u>						
Program Services	<u>15,700,124</u>	<u>-</u>	<u>15,700,124</u>	<u>14,395,490</u>	<u>-</u>	<u>14,395,490</u>
Supporting Services:						
General and administrative	1,660,208	-	1,660,208	1,393,938	-	1,393,938
Fundraising	533,946	-	533,946	1,153,524	-	1,153,524
Total Supporting Services	<u>2,194,154</u>	<u>-</u>	<u>2,194,154</u>	<u>2,547,462</u>	<u>-</u>	<u>2,547,462</u>
Total Expenses	<u>17,894,278</u>	<u>-</u>	<u>17,894,278</u>	<u>16,942,952</u>	<u>-</u>	<u>16,942,952</u>
Change in Net Assets	100,755	(21,010)	79,745	913,555	(35,683)	877,872
Net Assets at Beginning of Year	4,661,395	51,331	4,712,726	3,747,840	87,014	3,834,854
NET ASSETS AT END OF YEAR	<u>\$ 4,762,150</u>	<u>\$ 30,321</u>	<u>\$ 4,792,471</u>	<u>\$ 4,661,395</u>	<u>\$ 51,331</u>	<u>\$ 4,712,726</u>

**WALDEN FAMILY SERVICES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021				2020			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	General and Administrative	Fundraising			General and Administrative	Fundraising		
Salaries and Related Expenses:								
Salaries	\$ 4,674,531	\$ 977,316	\$ 355,042	\$ 6,006,889	\$ 4,067,413	\$ 831,172	\$ 325,950	\$ 5,224,535
Payroll taxes and employee benefits	1,118,852	266,562	101,775	1,487,189	962,287	259,632	90,925	1,312,844
Total Salaries and Related Expenses	<u>5,793,383</u>	<u>1,243,878</u>	<u>456,817</u>	<u>7,494,078</u>	<u>5,029,700</u>	<u>1,090,804</u>	<u>416,875</u>	<u>6,537,379</u>
Nonsalary Related Expenses:								
Advertising and marketing	481	6,085	19,148	25,714	1,165	21,643	7,499	30,307
Bad debt	-	69,516	-	69,516	-	34,074	-	34,074
Conferences, meetings and trainings	28,204	14,857	896	43,957	32,994	19,174	1,398	53,566
Contract labor	111,083	122,775	6,046	239,904	123,861	56,737	6,494	187,092
Event expense	-	-	-	-	-	-	676,797	676,797
Insurance	73,336	19,750	5,693	98,779	59,856	18,679	5,282	83,817
Memberships, licenses and fees	70,452	14,803	1,346	86,601	63,058	15,231	1,957	80,246
Mileage	65,498	863	-	66,361	133,684	1,468	949	136,101
Occupancy	539,440	117,520	37,759	694,719	535,119	106,780	32,466	674,365
Other	441	50,161	6,241	56,843	1,289	29,348	3,807	34,444
Resource family reimbursements	2,237,669	-	-	2,237,669	2,119,204	-	-	2,119,204
Transitional housing program	6,780,137	-	-	6,780,137	6,295,560	-	-	6,295,560
Total Nonsalary Related Expenses	<u>9,906,741</u>	<u>416,330</u>	<u>77,129</u>	<u>10,400,200</u>	<u>9,365,790</u>	<u>303,134</u>	<u>736,649</u>	<u>10,405,573</u>
Total Expenses	<u>\$ 15,700,124</u>	<u>\$ 1,660,208</u>	<u>\$ 533,946</u>	<u>\$ 17,894,278</u>	<u>\$ 14,395,490</u>	<u>\$ 1,393,938</u>	<u>\$ 1,153,524</u>	<u>\$ 16,942,952</u>

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

**WALDEN FAMILY SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 79,745	\$ 877,872
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,060	9,805
(Increase) Decrease in:		
Accounts receivable and other receivables, net	(203,365)	(101,599)
Contributions receivable	86,152	(106,337)
Prepaid expenses and other assets	18,255	(60,360)
Increase (Decrease) in:		
Overpayments	79,002	65,419
Accounts payable - Resource parents	(1,273)	55,960
Accounts payable and accrued expenses	374,810	115,347
Accrued compensated absences	68,699	74,677
Deferred revenue	7,300	972,550
Net Cash Provided by Operating Activities	<u>524,385</u>	<u>1,903,334</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	(29,280)	(10,042)
Refund of deposits	10,433	244,298
Net Cash (Used in) Provided by Investing Activities	<u>(18,847)</u>	<u>234,256</u>
Net Increase in Cash and Cash Equivalents	505,538	2,137,590
Cash and Cash Equivalents at Beginning of Year	<u>4,650,388</u>	<u>2,512,798</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,155,926</u>	<u>\$ 4,650,388</u>

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

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 1 - Organization:

Walden Environment dba Walden Family Services (Walden) is a nonprofit organization formed in 1976 to provide advocacy, out-of-home placement, and treatment services for children unable to remain in their own homes due to abandonment, abuse, or neglect. Walden's goal is to help stabilize children, youth, and families through community-based prevention and intervention services. Walden is a therapeutic foster family and adoption agency engaged in the recruitment, certification, and training of foster and adoptive parents; the careful placement of foster and adoptive children; and housing and life skills programs for youth transitioning out of foster care. Walden's funding comes primarily from federal, state, and county welfare programs. Each year, Walden provides services to roughly 1,500 children, youth, young adults, and families through an array of programs and services described here.

Foster & Adoption Services

Children and youth enter foster care when their families are not able to care for them safely. Walden's foster care and adoption program enables infants and sibling groups, youth who identify as LGBTQ, and teens and children with development disabilities, emotional and behavioral challenges, and special healthcare needs to grow up knowing the love and sense of community that living in a family provides.

Resource families support and care for children until they can return to their biological family. When children cannot return to their birth family, Walden carefully matches them with individuals and couples seeking to build their family through adoption. Walden provides child-family therapy, training, and ongoing support to facilitate the family's adjustment through each developmental stage.

Walden provides resource family homes and Intensive Services Foster Care for children, including those with behavioral and emotional challenges and/or special healthcare needs.

Care for Children with Special Health Care Needs/ Intensive Services Foster Care

Walden's Special Health Care Needs (SHCN) and Intensive Services Foster Care (ISFC) program enables children and youth with significant medical needs to move out of skilled nursing facilities and hospitals, into highly-skilled, specially-trained, and certified foster families. Often, these children have medical equipment-dependent conditions and may require apnea monitors, nebulizers, oxygen, feeding tubes, and other adaptive technology. The program also serves infants who were drug-exposed or born premature, who are failing to thrive, who have insulin-dependent diabetes or life-threatening medical conditions. Foster parents receive intensive training and support to care for these special healthcare needs.

Care for Children with Intellectual and/or Developmental Disabilities

Walden serves the needs of foster children and teens with intellectual and/or developmental disabilities, including cerebral palsy, epilepsy, autism, and other challenges. The goals are to prevent institutionalization and prepare children and teens for maximum independence through participation in a full range of typical childhood experiences in family and community settings.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 1 - Organization: (Continued)

Foster & Adoption Services (Continued)

Mental Health Services

Under the California Continuum of Care Reform, foster family agencies (FFAs) are expected to increase access to mental health services for the children and youth in their foster care programs. Walden contracts directly with San Bernardino and Riverside Counties to provide specialty mental health services to Walden youth in their care in those counties. The clinics provide medication management, therapy, rehabilitation, and other appropriate services. Children and youth in need of mental health services in Walden's other districts are referred to trusted community partners.

Lesbian, Gay, Bisexual, Transgender, and Questioning (LGBTQ) Program

Walden is a recognized culturally competent provider of care for youth. In addition to serving LGBTQ foster youth in our care, Walden's leadership provides training and support nationally for other child welfare providers, foster parents, and birth families. Walden actively recruits and educates members of the LGBTQ community about becoming certified foster and adoptive parents. Walden has attained the Human Rights Campaign Foundation Innovator status, the highest recognition awarded, for our commitment to all children and families.

Foster Care for Pregnant and Parenting Teens

Walden provides support and training to parenting youth through our transitional housing program (THP), FFA, and Nurturing Parenting programs. Services include support with parenting classes, budgeting assistance, and referrals to community resources. The program offers services and support to teens that have custody of their children as well as teens working toward reunification with their dependent children.

Transitional Housing Placement (THP) Programs

Unlike the nearly 65% of youth who leave foster care with no place to call home and no connection to the community, youth in Walden's transitional housing programs learn how to live on their own in the community, build relationships with mentors, and earn a college degree or learn a vocation.

THP for Non-Minor Dependents (THPP-NMD)

Walden's transitional housing placement for non-minor dependents program was among the first of its kind in California. Youth choose to remain in foster care until age 21 to pursue their education and employment goals. Walden helps these young people decide where to live, covers rent and utilities, and provides basic home furnishings. In addition, Walden social workers provide young people with the structure they need to set realistic goals and teach youth the life skills most young adults learn from their parents. Walden currently operates the program through our Riverside, Los Angeles, and San Diego offices.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 1 - Organization: (Continued)

Transitional Housing Placement (THP) Programs: (Continued)

THP-Plus

Because few young adults are self-sustaining even at age 21 – with or without parental support – Walden began offering services to former foster youth ages 21-25 in 2017. Our THP Plus began providing up to 36 months of transitional housing placement and life skills support for youth in San Diego County and launched a THP Plus program in Los Angeles in 2020.

San Bernardino County Programs

Our San Bernardino and Victorville offices provide a variety of programs to prepare young people for college, career, and community life, and to support parents in developing the skills to build positive relationships with their children.

Nurturing Parenting Program - First 5 San Bernardino

Walden offers free parenting classes for young parents with children 0-5 years old, in the county. Using the nationally-recognized evidence-based curriculum Nurturing Parenting, the program offers a 16-week course to help young parents provide for, and in some cases reunite with, their children, and break the child welfare cycle.

Extended Care/Aftercare

Walden's San Bernardino offices offer current and former foster youth life skill training and connections to community resources. This program also provides case management, employment, education, community engagement, and emergency financial assistance to former foster youth 18-21 years.

Independent Life Skills Classes

Walden provides life skill classes throughout San Bernardino County for foster youth ages 16-18 years. Classes focus on key life skills including, career education, budgeting, relationships, self-advocacy, and community connections

Child Abuse Prevention and Treatment Services (CAPTS)

Walden provides therapy and parenting classes to families referred through San Bernardino Child and Family Services.

Resource Family Approval

Walden provides resource family approval assessments for kinship care families in San Bernardino County.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of Walden have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 thereon are classified and reported as follows:

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

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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Walden had no financial instruments at June 30, 2021 and 2020.

Allowance for Doubtful Accounts and Overpayments

Accounts receivable consist of fees due from counties in California that have been earned for services provided to foster youth. Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivable and other receivables totaled \$102,306 and \$104,929 at June 30, 2021 and 2020, respectively.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts and Overpayments (Continued)

Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at June 30, 2021 and 2020.

Overpayments are fees received from funding sources which Walden has determined are not due at the time of receipt. Overpayments totaled \$330,563 and \$251,561 at June 30, 2021 and 2020, respectively.

Capitalization and Depreciation

Walden capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, Walden reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Walden reclassifies net assets with donor restrictions to 'net assets without donor restrictions' at that time.

Furniture and equipment	5 years
Leasehold improvements	5 years
Software	3 years

Depreciation totaled \$15,060 and \$9,805 for the years ended June 30, 2021 and 2020, respectively and included in occupancy.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling \$326,350 and \$257,651 at June 30, 2021 and 2020, respectively, is accrued when incurred.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to Walden that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Walden's revenue is generated through performance of services for government entities, under various contracts for which they are paid a fixed fee or on a cost-reimbursement basis. Revenue is recognized as the services are provided and/or costs are incurred. Accounts receivable are recorded when revenue earned under a contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant and contract exceeds the revenue earned. Deferred revenue totaled \$5,950 and \$-0- at June 30, 2021 and 2020, respectively.

Walden receives foster care payments for its children from the respective counties and Regional Centers. In turn, Walden issues monthly payments to the foster families for its children. This reimbursement to foster parents represents approximately 45% and 43% of the total foster care placements for the years ended June 30, 2021 and 2020, respectively.

Event revenue is recognized in the period that the event occurs. Deferred event revenue totaled \$2,700 and \$1,350 at June 30, 2021 and 2020, respectively.

Donated Services and Materials

Walden utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2021 and 2020 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

Walden received in-kind contributions totaling \$29,050 and \$48,671 for the years ended June 30, 2021 and 2020, respectively, included in grants and contributions in the statements of activities.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, primarily based on the proportion of full-time employee equivalents of a program or supporting service, versus the total organizational full-time employee equivalents.

Income Taxes

Walden is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Walden believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. Walden is not a private foundation.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes (Continued)

Walden's Returns of Organization Exempt from Income Tax for the years ended June 30, 2021 and 2020, the period ended June 30, 2019 and the year ended December 31, 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the three to four years after the returns were filed.

Concentrations

Credit Risk

Walden maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. Walden has not experienced any losses in such accounts. Walden believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue

The accounts receivable and other receivables balance consists primarily of amounts due from several government agencies for foster care and transitional housing placements totaling \$1,684,784 and \$1,560,827 which represents 88% and 91% of the total accounts receivable and other receivables balance at June 30, 2021 and 2020, respectively.

Walden received \$15,593,724 and \$14,791,437, or 91% and 92% of its operating revenue from several government agencies for foster care placements and transition housing placements for the years ended June 30, 2021 and 2020, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Walden considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents, regardless of the maturity. The following is a composition of the combined amounts appearing in the statement of cash flows at June 30:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 3,022,785	\$ 2,345,984
Certificates of deposit	2,133,141	2,304,404
Total Cash and Cash Equivalents	<u>\$ 5,155,926</u>	<u>\$ 4,650,388</u>

Certificates of deposit included in cash and cash equivalents bear interest at rates ranging from .35% to 1.88% and mature through August 2022.

Subsequent Events

In preparing these financial statements, Walden has evaluated events and transactions for potential recognition or disclosure through November 18, 2021, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 3 - Liquidity and Availability:

Walden regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. Walden considers contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Walden considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use within one year, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,155,926	\$ 4,650,388
Accounts receivable and other receivables, net	1,916,271	1,712,906
Contributions receivable	32,404	118,556
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,104,601	\$ 6,481,850

Walden receives its grant support through subgrantee awards from the U.S. Department of Health and Human Services. Walden is reimbursed for direct costs incurred in the conduct of its programs and receives reimbursement for indirect costs based on a fixed rate of 10% applied to direct costs.

In addition to financial assets available to meet general expenditures over the next 12 months Walden has a line-of-credit agreement with available borrowings totaling \$1,500,000 as described in Note 6. Walden also operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 4 - Contributions Receivable:

Contributions receivable are due in less than one year and total \$32,404 and \$118,556 at June 30, 2021 and 2020, respectively.

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 106,517	\$ 85,454
Leasehold improvements	36,421	28,204
Software	17,409	17,409
Subtotal	160,347	131,067
Less: Accumulated depreciation	(120,319)	(105,259)
Property and Equipment, Net	\$ 40,028	\$ 25,808

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 6 - Line-of-Credit:

Walden has a line-of-credit with First Republic Bank in the amount of \$1,500,000. The line-of-credit provides for interest at the bank's prime rate (3.25% at June 30, 2021). The line-of-credit is secured by substantially all of Walden's assets. The line-of-credit matures on June 4, 2022. There was no outstanding balance on the line-of-credit at June 30, 2021.

Note 7 - Net Assets With Donor Restrictions:

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

Subject to Expenditure for Specified Purpose:	<u>2021</u>	<u>2020</u>
Resource families and transitional age youth programs	\$ 20,271	\$ 44,181
Wine D'Vine	<u>10,050</u>	<u>7,150</u>
Total Net Assets with Donor Restrictions	<u>\$ 30,321</u>	<u>\$ 51,331</u>

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

Purpose Restrictions Accomplished:	<u>2021</u>	<u>2020</u>
Resource families and transitional age youth programs	\$ 75,081	\$ 144,374
Wine D'Vine	<u>7,150</u>	<u>556,162</u>
Total Net Assets Released from Restrictions	<u>\$ 82,231</u>	<u>\$ 700,536</u>

Note 8 - Commitments and Contingencies:

Deferred Compensation Plan

Walden sponsors a 401(k) deferred compensation plan (the "Plan"). Employees may elect to contribute up to the maximum amount allowed by federal law, as defined in the Plan. Each employee self-directs the investment of his or her assets. Walden may elect to make matching contributions to the Plan. Walden contributed \$75,000 and \$44,269 to the Plan for the years ended June 30, 2021 and 2020, respectively included in payroll taxes and employee benefits.

Lease Commitments

Walden leases its facilities under various operating lease agreements and month-to-month rentals. The leases expire at various dates through April 2025. Office rents and leases which includes scheduled rent increases and an additional charge for common area maintenance costs totaled \$415,899 and \$369,111 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy.

Walden also leases certain office equipment under various operating lease agreements and month-to-month rentals. Equipment rents and leases totaled \$42,316 and \$42,496 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy.

**WALDEN FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 8 - Commitments and Contingencies:

Lease Commitments (Continued)

The following is a schedule of future minimum lease payments under the leases:

<u>Years Ended June 30</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 218,153	\$ 6,798	\$ 224,951
2023	135,665	-	135,665
2024	127,348	-	127,348
2025	109,695	-	109,695
Total	<u>\$ 590,861</u>	<u>\$ 6,798</u>	<u>\$ 597,659</u>

Paycheck Protection Program Loan

In April 2020, Walden received a loan totaling \$980,200 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that Walden meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2022. The loan amount of \$980,200 has been recorded as deferred revenue and the related accrued interest has been included in accounts payable and accrued expenses at June 30, 2021. Walden expects to satisfy the terms and conditions of forgiveness of the PPP and will recognize the forgivable portion of the loan as revenue during the year when forgiveness has been granted by the lender, which occurred on August 12, 2021. The amount of loan forgiveness granted by the U.S. Small Business Administration totaled \$224,990. The remaining balance of \$755,210 plus interest in the amount of \$9,972 was converted to a note payable and was paid in full by Walden in August 2021.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Walden is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Walden’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Walden’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Walden’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
<u>U.S. Department of Health and Human Services:</u>					
Pass-Through Programs From:					
MaryLee Allen Promoting Safe and Stable Families Program:					
County of San Bernardino	93.556	T-1454-032-19-CAPTS	\$ -	\$ 9,040	\$ 9,040
Total MaryLee Allen Promoting Safe and Stable Families Program			<u>-</u>	<u>9,040</u>	<u>9,040</u>
477 Cluster					
Temporary Assistance for Needy Families:					
County of San Diego	93.558	553682 / 557444	-	30,966	30,966
County of Riverside		DPSS-0000925	-	10,422	10,422
Total Temporary Assistance for Needy Families			<u>-</u>	<u>41,388</u>	<u>41,388</u>
Total 477 Cluster			<u>-</u>	<u>41,388</u>	<u>41,388</u>
Foster Care Title IV-E:					
County of San Bernardino	93.658	T-1559-030-19-FFA	-	2,369,346	2,369,346
County of Los Angeles		19-01-40 / 19-03-17 / 19-04-07 / 13-001-42 / 13-001-02 / 13-001-05	-	1,512,851	1,512,851
County of Riverside		DPSS-0000925	-	1,696,697	1,696,697
County of San Diego		553682 / 557444	-	368,459	368,459
Imperial County		N/A	-	26,977	26,977
County of Sacramento		N/A	-	21,618	21,618
County of Orange		N/A	-	16,794	16,794
County of Fresno		N/A	-	10,670	10,670
County of Yuba		N/A	-	3,487	3,487
County of Madera		N/A	-	2,764	2,764
Total Foster Care Title IV-E			<u>-</u>	<u>6,029,663</u>	<u>6,029,663</u>

(Continued)

**WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
Adoption Assistance:	93.659				
California Department of Health and Human Services		N/A	-	153,300	153,300
Social Services Block Grant:	93.667				
County of San Diego		553682 / 557444	-	75,854	75,854
John H. Chafee Foster Care Program for Successful Transition to Adulthood:	93.674				
County of San Bernardino		19-306	-	139,272	139,272
County of San Bernardino		N/A	-	47,762	47,762
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			-	187,034	187,034
Total Pass-Through Programs			-	6,496,279	6,496,279
Total U.S. Department of Health and Human Services			-	6,496,279	6,496,279
Total Expenditures of Federal Awards			\$ -	\$ 6,496,279	\$ 6,496,279

WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Basis of Presentation:

The accompanying schedules of expenditures of federal awards (the Schedule) includes the federal award activity of Walden Family Services under programs of the federal government for the year ended June 30, 2021. The information in these Schedules 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 Schedules present only a selected portion of the operations of Walden Family Services, they are not intended to and do not present the financial position, changes in net assets, or cash flows of Walden Family Services.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

Walden has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
Walden Family Services

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 Walden Family Services, which comprise the statement of financial position as of June 30, 2021, 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 November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walden Family Services' 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 Walden Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Walden Family Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walden Family Services' 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*.

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 Walden Family Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walden Family Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
November 18, 2021



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Walden Family Services

Report on Compliance for the Major Federal Program

We have audited Walden Family Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Walden Family Services' major federal program for the year ended June 30, 2021. Walden Family Services' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Walden Family Services' major federal program, based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Walden Family Services' compliance with those requirements, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Walden Family Services' compliance.

Opinion on the Major Federal Program

In our opinion, Walden Family Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Walden Family Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Walden Family Services' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walden Family Services' 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Leaf & Cole LLP

San Diego, California
November 18, 2021

**WALDEN FAMILY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified ?	_____	Yes	_____ <u>X</u> _____	No

Noncompliance material to financial statements noted? _____ Yes _____ X _____ No

Federal Awards

Type of auditor's report issued on compliance for the major program: Unmodified

Internal control over major program:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? _____ Yes _____ X _____ No

Identification of major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster Care Title IV-E

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

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None